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foreign trade

THE FAR EAST: A BUSINESS ROUND-UP

Established in 1904

foreign trade

CANADA

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cover A young Japanese girl works on the assembly line in a plant that turns out scooters for export. The review of business conditions and trade prospects in the Far East on pages 2 to 29 of this issue begins with Japan, our largest market and chief source of supply in this area, and one of our chief competitors in other Far Eastern markets.

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Canada's Trade with the Far East

Some $192 million worth of Canadian goods moved to the Far East in 1957, despite financial and other problems in many of these countries. Japan takes 80 per cent of these exports, but many of the smaller markets are worth attention too.

W. D. WALLACE, *Area Trade Officer for Asia.*

THERE is every indication that final 1957 figures will reveal that Canada's trade with the principal countries of the Far East topped the high level established in 1956. More important, this was accomplished in the face of adverse economic conditions in many of these countries in the second half of 1957. On the basis of statistics for the first nine months of the year, Canada's exports to the area were running at an annual rate of $192 million and imports at $108 million.

CANADIAN TRADE WITH THE FAR EAST

(in thousands of dollars)

	EXPORTS TO			IMPORTS FROM		
			Jan.-Sept.			*Jan.-Sept.*
	1955	*1956*	*1957*	*1955*	*1956*	*1957*
Japan	90,893	127,870	110,334	36,718	60,826	45,608
Philippines	18,136	18,060	12,668	2,027	2,467	3,457
South Korea	7,514	2,864	6,134	480	8	34
Hong Kong	7,253	7,026	5,733	5,875	5,699	5,299
Malaya and Singapore	3,421	3,914	2,531	28,810	28,558	20,602
Thailand	2,341	1,936	1,504	1,142	1,103	543
Indonesia	944	1,243	1,402	1,001	1,143	790
Mainland China	1,016	2,427	1,358	3,125	5,721	4,245
Taiwan	1,227	751	1,282	155	112	91
Indo-China*	337	546	956	172	16	6
British Borneo**	53	127	133	71	122	78
Burma	480	288	118	7	1	1
Total	133,615	167,052	144,150	79,583	105,776	80,754

*South Viet Nam, Laos, Cambodia.

**North Borneo, Sarawak, Brunei.

In the previous year, exports totalled $167 million and imports $106 million.

The table to the left shows that Japan continues to dominate our trade in the Far East, taking 80 per cent of Canadian exports to the area and supplying 57 per cent of our imports from these countries. The Philippines is the second most important market, followed by Hong Kong and South Korea. Malaya and Singapore come next to Japan as a source of Canadian imports, followed by Hong Kong and Mainland China.

The outstanding feature of Canada's trade with the Far East is that, although this area provides a market for a wide range of Canadian goods, a relatively few products—including wheat, barley, flaxseed, flour, iron ore and products, metals, asbestos fibres, pulp and paper, aluminum and fertilizers—make up the greater part of exports by value.

Here, country by country, are some of the highlights of Canadian trade with this area in 1957.

JAPAN—Canadian trade with Japan reaped the benefit of the economic prosperity that prevailed there throughout 1956 and the first half of 1957. Despite the recession that followed and that brought tighter credit and import controls, Canada's exports to Japan for 1957 will reach a record of over $140 million and imports will be close to the 1956 record of $60 million. Although we sell the Japanese a wide range of goods, our major exports include wheat, barley, flaxseed, iron ore, pulp and paper, metals and asbestos. We import from Japan mainly textiles, toys, pipe casings, plywood, oranges, and canned fish. Japan will continue to be an important market for Canadian foodstuffs and raw materials but a more cautious purchasing policy, with emphasis on quality and price, will be the guiding principle in this market.

SOUTH KOREA—South Korea continues to offer a limited market for Canadian products such as fertilizers, newsprint, steel sheets, and synthetic fibres.

mports are financed mainly through United States iid and little change is expected in 1958.

THE PHILIPPINES—Canada's second largest market n the Far East, the Philippines is an important buyer of Canadian flour, newsprint paper, fertilizer, and nachinery. In July 1957 a new tariff code was ntroduced and in it the tariff on Canadian flour was nore than doubled. Although the reduction in tariff preferences for United States goods will eventually nean greater opportunities for Canadian suppliers, it s Japan and other Asian countries that may dominate his trade. Economic conditions are adverse at present and Canadian exporters will be fortunate if they can naintain their shipments at close to the 1957 figure.

TAIWAN—The foreign trade of Taiwan (the Nationalist Republic of China) continues to be closely associated with Japan and the United States. Japan upplies about 50 per cent of the island's needs and he United States through its aid programs furnishes ibout 20 per cent. During the past year, Canada's exports to Taiwan almost doubled, with significant ncreases in sulphite pulp, electrical apparatus, asbestos ibres and aluminum. On the other hand, imports into Canada from Taiwan fell, mainly as a result of the drop in shipments of black tea.

HONG KONG—Canada's trade with Hong Kong continued to increase during 1957, but the pattern s changing. We are supplying larger quantities of raw materials for the colony's growing industries and are in turn buying larger amounts of finished goods. Because the colony is an important entrepôt centre for nany of the countries in the Far East it offers a considerable market for various types of manufactured goods. This particular trade, of course, fluctuates, depending upon economic conditions in the other areas which purchase through Hong Kong. In 1958, prospects appear best for suppliers of raw materials for he various industries.

MAINLAND CHINA—During the past year, Canada's exports to Mainland China have been confined almost entirely to shipments of fertilizer, wood pulp, kraft paper and acids; imports into Canada consisted mainly of peanuts, walnuts, fur skins and antimony. Although he China market is difficult to assess, it is estimated hat 75 per cent of Chinese requirements are obtained rom the Soviet Bloc countries; purchases from Western countries are placed at approximately $500 nillion a year. Although this indicates a limited narket, there are possibilities for Canadian firms to ncrease their sales to China.

SINGAPORE AND MALAYA—Singapore and Malaya are more important to Canada as a source of supply of rubber, tin, palm oil and pepper than as an export outlet for Canadian products. Nevertheless, they offer a good market for flour, paper, asbestos, gas engines, automobiles and parts, and a variety of consumer goods. In the past year, Canadian trade with the area was apparently slightly below 1956, when exports reached $3.9 million and imports $28.5 million. Prospects for 1958 are that the combined trade will remain close to the present figure. The Federation of Malaya has become an independent sovereign nation and it is expected that the pattern of trade will shift gradually and that the Federation will do more direct importing and exporting and depend less upon the shipping facilities of Singapore.

BRITISH BORNEO—Canada carries on a limited trade with the British colonies of North Borneo, Brunei, and Sarawak. This trade—chiefly in machinery, gas engines, and canned foods—is handled almost entirely through Singapore agents. As the development plans for this region progress and increase the demand for imported goods, prospects for Canadian products will no doubt improve.

BURMA—Burma is a very small market for Canadian goods and the unfavourable rice crop and decline in foreign exchange reserves may mean further restrictions on imports during 1958. The chances for increasing Canada's business will depend upon whether orders can be obtained under the foreign aid that Burma may receive.

THAILAND—Although Thailand buys a wide range of Canadian products, exports in 1957 were dominated by shipments of flour, asbestos fibres, files, and automobiles and parts. The business outlook for 1958 does not appear as bright as in 1957 and this will probably mean a general decline in imports.

SOUTH VIET NAM, CAMBODIA, AND LAOS—During the past year, there was little if any improvement in economic conditions in South Viet Nam, Cambodia and Laos, the former Indo-China. The three countries rely mainly upon foreign aid programs and will apparently do so for a number of years to come. There was some improvement in Canada's exports to this area during 1957, but the possibility of boosting them further will depend on whether we can participate in the supply of goods for the development programs.

INDONESIA—Statistics show that Canadian exports to Indonesia for 1957 were well above 1956. This was accomplished in the first half of the year but during the last six months of 1957 trade fell drastically, reflecting political and economic difficulties that the country is experiencing. Prospects for an early improvement in trade between the two countries are not bright. ●

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Japan

Last half of 1957 brought change of pace; need to build up foreign exchange reserves led to credit restrictions, curb on imports, and drive to increase exports. Canadian exports have held up well; prospects good for sales of grain, but less bright for minerals and forest products.

W. G. PYBUS, *Commercial Secretary, Tokyo.*

CANADA'S trade with Japan continued firm throughout 1957, in spite of the slower rate of growth of the Japanese economy in the last half of the year. Canadian sales to Japan, which stood at $125 million in 1956, will probably reach the $140-million mark in the year just ended. Imports into Canada from Japan, starting at $13.6 million in 1953, have grown phenomenally over the past few years and appear to be levelling off temporarily at approximately $60 million.

The continued Japanese demand for bulk foodstuffs and raw materials makes the outlook promising for Canadian exporters. However, the somewhat slower pace of Japanese industry is likely to result in cautious and selective buying, with greater emphasis on price and quality. Canadians should also expect a strong Japanese export drive, considered essential to improving the precarious balance-of-payments position.

After "Jinmu Keiki"

Japanese businessmen describe the high level of economic prosperity achieved throughout 1956 and the first six months of 1957 as the greatest "keiki" or boom since Jinmu, Japan's first Emperor. But by mid-1957 it was abundantly clear that the boom of the previous 18 months had ended. The foreign exchange reserves had fallen dangerously low and the fall could only be checked by reducing imports drastically. In May and June the Government moved quickly with a series of measures designed to restrict credit and curb imports. By November, import letters of credit had been cut to $180 million, or about half the peak $320 million reached in May.

Although the import cuts affected almost all commodities, the biggest reductions occurred in metals (both raw materials and products) and in textile raw materials. From the beginning of the tight money policy in May, the Ministry of International Trade and Industry has deferred as long as possible announcements of availability of foreign exchange for imports. In raw cotton and wool, there has been a drastic suspension of the use of allocated funds. The metal industries were faced with reductions in imports of materials varying from 15 to 25 per cent. In most cases industry had anticipated the restrictions and was holding substantial inventories and these have proved effective in lessening the impact of the measures.

Balance of Payments Improves

Although the Government's program to strengthen the balance-of-payments position has perhaps not been in operation long enough to determine its effectiveness, Japan appears to be well on the way to re-establishing its foreign exchange reserves. The proposed budget for the fiscal year beginning April 1, 1958, indicates that the Government expects economic activity to be maintained at about the same level as in 1957. Confidence that the balance of payments will go on improving appears to be general. Japanese industry, which has been reducing inventories of raw materials, expects a regulated increase in imports in the late spring and early summer.

Export Drive Begun

Increased exports are one of the principal factors governing Japan's ability to maintain the balance-of-payments position and the level of imports. The principal measures so far instituted to push exports include a reduction in export credits insurance rates and a higher tax exemption for income from export sales. In addition, the budget for government trade-promotion organizations has been increased.

The greatest stimulus to exports will come from a reduction of domestic demand, greater competition, and increased productive efficiency—all of which are likely to follow the Government's current deflationary policies. Since March 1957 inventories of finished goods held by manufacturers have increased sharply but export prices have declined after reaching a peak in December 1956. The expansion and modernization of production facilities, proceeding rapidly for the past two years, have resulted in the build-up of an even greater production potential. It therefore seems almost inevitable that Japan's export drive will increase in tempo in the coming months.

What Canada Sells

Because Japan is so highly industrialized, Canadian export opportunities in this country continue to be limited to bulk foodstuffs and raw materials. Canadian manufacturers of consumer goods, even if they had access to Japanese buyers, would find it extremely difficult to compete in this low-cost consumer market. Manufacturers of capital goods (machinery and plant equipment) will find a ready market in Japan but

nust face strong competition from domestic producers nd from United States and Western European uppliers.

Vheat, barley and oilseeds are by far the leading ommodities among Canadian agricultural exports to apan and at the same time represent almost two-hirds of total sales to this country. The demand for he better milling grades of Canadian wheat for bread emains strong. Although the Japanese are still essen-ially rice eaters, there is an increasing tendency, articularly in the cities, to introduce bread as a egular feature of daily diet. The widespread use of read and rolls in the expanding Japanese school-unch program introduced after the war is a strong ontributing factor in the development of a taste for ealthful bread produced from Canadian hard wheat. n addition to a rising demand for best milling grades, apan is more and more taking advantage of the ualities of the lower grades of strong-protein Canadian vheat. In place of imported bran with its high trans-ort costs, Japanese millers can offer bran for livestock eed obtained from low-grade wheat as well as flour or non-bread purposes.

Canadian barley sales to Japan tend to vary with the olume of the domestic rice crop because barley is nainly imported for human consumption; it is steamed, pressed and served as a supplement to rice. Japan has now enjoyed three bumper rice crops in a row and as a result, the "Seibaku" or pressed barley industry is somewhat depressed. However, the short 1957 crop of both barley and wheat in Australia will probably mean increased imports from Canada.

The rather spotty pattern of oilseed sales to Japan is likely to continue. Rapeseed and mustardseed are imported mainly to meet demand in excess of the domestic crop, and last year this crop was substantial. Japan also imports oilseeds from the United States and Mainland China and our sales vary according to price and availability from these other suppliers. Canadian flaxseed exports to Japan have increased substantially in recent years and in the first nine months of 1957 reached $8 million. The demand for flaxseed is more stable than for rape or mustard because the domestic crop is small and the industrial demand for linseed oil is rising.

Outlook for Canadian Minerals

The economic expansion in the first six months of 1957 brought a firm demand for Canadian minerals and metals. The Japanese iron and steel industry worked at full capacity and was hungry for raw materials. Imports of pig iron from Canada were valued at $8 million in the first nine months of the year; these imports were needed to assure maximum steel output and also to tide the industry over until new furnaces were brought into production. Iron and steel scrap imports were also abnormally high. However, the production cutbacks following the introduction of tight money measures, combined with increased domestic production of pig iron, resulted in less demand from June on. In the coming months opportunities to sell pig iron and iron and steel scrap to Japan will probably be much smaller.

The keen interest which Japan's iron and steel industry has been taking in B.C. iron ore has been somewhat blunted by the uncertainty which has followed provincial legislation imposing a tax on iron ore

Welders in a Japanese shipyard form a vital part of the skilled labour force manning the country's main industries. Swift pace of industry in early part of 1957 created demand for Canadian raw materials such as pig iron and iron and steel scrap, but the current market appears to be less promising.

resources. Although some means of adjusting existing contracts in view of the new taxation will no doubt be found, the prospects for new contracts have diminished for the present.

Japan is seriously studying Canadian coal suitable for blending to produce coke for the iron and steel industry as well as anthracite to be used in the gas and chemical industries. During 1957 sample cargoes or part cargoes of both types of coal from Canadian mines were imported for trial on a commercial basis. Late in the year a Japanese coal mission composed of members of the iron and steel industry visited mines in Canada and had discussions with the Dominion Coal Board and provincial officials. Although immediate shipments of Canadian coal in volume to Japan are not in prospect, the coming months will probably see substantial progress toward the solution of such problems as price, quality and loading facilities; these are the keys to quantity movements of Canadian coal to this market.

Canadian crude oil, which excited great interest in Japan during the Suez crisis in the fall of 1956, did not figure largely in our exports to Japan in 1957. The high F.O.B. price of Canadian crude compared with Middle Eastern restricts movement to Japan to periods of high-cost ocean transport. Until the gap of approximately ten dollars per ton between the F.O.B. prices of Canadian and Mid-East oil is narrowed, the chances of our doing a volume Japanese business in crude oil are slim.

Market for Forest Products

Canadian sales of forest products to Japan, consisting mainly of sulphite pulp and wood pulp, also benefited from Japan's industrial boom of early 1957. However, the deflationary measures introduced at the mid-year slowed up sales. In view of Japan's foreign exchange difficulties and production cutbacks, domestic producers have a big advantage in the market. But because Japan wants to rationalize her forest industry, it is expected that, when the foreign exchange position has improved, increased imports may be allowed, in order to conserve domestic resources.

General Outlook

To sum up, although business has been much slower in Japan in recent months, the market for Canadian grain is likely to remain firm and perhaps strengthen, depending on what other suppliers have to offer. The Japanese market for Canadian raw materials (minerals and forest products) is definitely less promising than it was a year ago. However, production is likely to be maintained at only slightly lower levels and by the summer, when inventories have been run down, buying should be resumed in a more cautious way. ●

Korea

U.S. aid still all-important and main sales opportunities for Canadians lie in supplying goods financed with ICA funds. Canadian firms should choose able Korean agents to alert them in good time to periodic trade openings.

W. G. PYBUS, *Commercial Secretary, Tokyo.*

SOUTH Korea is still continuing the desperate struggle to maintain subsistence levels for her people. The problem remains, in spite of a bumper rice crop in 1957 of about 79 million bushels—9 per cent over the average for the past five years. One can understand this problem better when one realizes that the present economic level, achieved through rehabilitation measures, about equals that attained before World War II. Meanwhile the basic difficulty remains —how to achieve some degree of self-sufficiency despite separation from North Korea, which has relatively greater resources.

U.S. Aid Still Vital

For the fiscal year 1957-58 the United States will provide aid funds totalling $215 million, of which $180 million is reported to be for the import of goods for sale and the remainder for investment and reserve. The United States will also furnish about $50 million worth of surplus agricultural commodities under Public Law 480. Although the aid funds are less than last year, it is expected that the economy will be maintained at about the same level because South Korea has, to a limited extent, moved towards greater self-support.

South Korea's commodity exports in 1956 had a value of $25.2 million; imports, including goods supplied under U.S. aid, totalled $369 million. Recurring yearly imports of raw materials and consumer goods are estimated at about $250 million.

Agriculture and Industry

Agriculture has improved somewhat, thanks to the more intensive use of fertilizer and the better agricultural practices instituted since the Korean War. However, domestic consumption of rice has increased greatly since the eating of rice three times a day became a symbol of Korea's freedom from Japan. Under the Japanese, before 1945, Koreans ate rice only once a week and this largely accounted for the fact that the country was then a net exporter of rice.

The Korean fisheries which once furnished 85 per cent of the nation's protein intake are not flourishing and productivity is hampered by the lack of efficient equipment. Fishing boats destroyed in the war years have not been adequately replaced and the standard of facilities for handling and processing catches is low.

Korea's forest industry finds itself severely handicapped by the lack of material. Although a large portion of South Korea is forest land, ruthless felling and the ravages of war have denuded two-thirds of the potential cutting area. It is estimated that unless vigorous conservation measures are adopted soon, the forests will disappear entirely within 25 years.

Mining, on the other hand, shows some prospect of contributing substantially to economic improvement. Tungsten has for some time been the largest single Korean export, and reserves at present mining rates are estimated to be sufficient for thirty years. Korea also has other minerals with export potential—iron ore, bismuth, copper, lead and gold. Efforts are being made to determine accurately the extent of these mineral resources.

Although the establishment of manufacturing industries has been emphasized in order to reduce dependence on imports, the long-term outlook for Korean industry is far from bright. High-cost production using imported raw materials in small runs in inadequate plants operated by unskilled labour is all too frequently the manufacturing pattern in South Korea. Under these conditions, the prospects of competing in export markets and earning foreign exchange are not bright.

Canada's Chief Opportunities

Canadian trade opportunities in South Korea are still limited to occasional sales of essential materials, in competition with Japan, Western Europe, and the United States. (The latter supplies funds to pay for the bulk of all imports.) In the first ten months of 1957, our sales to South Korea totalled $6.2 million. Of this, $3.5 million (or over half) was earned by sales of fertilizers, about two-thirds of which were nitrogenous.

Other products which figure in the export statistics are newsprint, aluminum in primary forms, synthetic fibre yarns, wood pulp, printing paper, steel sheets, and drugs and chemicals. In almost every case imports into Korea from Canada are financed by the United States International Co-operation Administration, which publishes notices of tenders for goods needed by South Korea. Canadian suppliers are well advised to seek representatives in Korea who can inform them of forthcoming tenders and act as intermediaries in sales to ICA and Republic of Korea authorities. In the coming months, the pattern of Korean imports is not expected to vary. Canadian goods which appear to have the best chance in this market include fertilizers, newsprint and paper, primary aluminum, metals, drugs and pharmaceuticals. Our imports from Korea reached only $34,000 in the first ten months of last year.

General Outlook

South Korea continues to present a serious economic problem. Vigilant Canadian exporters will find periodic opportunities to place essential materials purchased with aid funds but the volume of sales is not likely to be large nor is it likely to increase. As in the past, Canadian exports to Korea will probably fluctuate, with opportunities governed largely by price. ●

Mainland China

Completion last year of First Five Year Plan and current slowing down in rate of industrialization will influence trade with West in 1958. Opportunities for Canadian exports to China are increasing, but need to be vigorously pursued.

T. M. POPE,
Assistant Trade Commissioner, Hong Kong.

THE year 1957 was the last one of the First Five Year Development Plan instituted by the present Government of Mainland China. This gives us the opportunity to estimate the effects of the tremendous effort put forth in the last five years to provide China with an industrial base.

On the face of things, the results are encouraging for the Chinese leaders. In most fields—industry, agriculture and handicrafts—output has now surpassed the figures for the peak production year before 1949; in most cases, this was 1936. (It should be borne in mind that from 1936 to 1949 production stagnated because of war and domestic disturbances.) Many goods are now being made that were either not produced at all before the accession to power of the present Government on October 1, 1949, or were turned out in very small quantities. Among these are aircraft (both civil and military), heavy trucks of

Chinese design, heavy machinery, ocean-going vessels, and electric generating equipment. Steel production has nearly trebled since 1952, the first year of the Plan, and reached an estimated 5,420,000 tons by the end of 1957. Output of non-ferrous metals, it is said, has also risen impressively.

Economic Problems Appear

None the less, the rate of progress in 1957 was slower than in preceding years and many difficulties became apparent as the year went on. The large budget deficit carried over from 1956 led to the launching of an economy campaign and a general tightness of capital. It is evident that the Chinese lack the financial means to undertake all the projects that they consider essential to the rapid industrialization of the country. Investment in industry as a whole was cut down from 1956, although heavy industry retains its priority in the allocation of investment funds.

The Chinese leaders are taking note of the problem presented by a population of 640 million increasing by at least 15 million a year and they admit that agriculture has not developed sufficiently to keep pace with this increase. The cloth ration was cut in 1957 and at the end of the year pork was added to the ration list. The 1956 crop proved to be poor and although the current one is said to be slightly better than average, drought prevailed during the sowing season for winter wheat and the crop may not be as large as the Chinese had hoped. All this means that a greater proportion of the funds available for investment may be devoted to agriculture.

It is not possible to say what direction further progress in the industrial field will take because the Second Five Year Plan is not yet completely drafted. It is not even clear whether the Chinese have a precise idea of their planned rate of industrialization in 1958.

Most of the vestiges of capitalism were done away with in 1956. The system of individual farming was transformed into that of co-operative farming and in the cities private business was transformed into the joint state-private enterprise system of management under the strict control of the State. To all intents and purposes, private enterprise had disappeared from China by 1957.

Trade Possibilities for West

These factors—the successful accomplishment of the First Five Year Plan and the economic difficulties that became apparent in 1957—will affect the western world's trade with Mainland China throughout 1958. Current Chinese trade with the Free World is estimated at approximately one billion dollars, U.S., with a balance of roughly $100 million in favour of the Chinese. But Chinese holdings of foreign currency are estimated at not much over $150 million, mostly in Swiss francs and in convertible or transferable sterling. Prior Chinese commitments to the Soviet Bloc limit the size of China's foreign exchange holdings. As long as the present tightness of capital persists, the scope for an increase in trade with the West cannot be too great unless China steps up her own exports to the West; the possibility of this seems slight.

Last spring many European countries relaxed controls on exports of strategic materials to Mainland China, but this action has not resulted in a large-scale increase in trade. A slow but steady growth can, however, be expected over the next year and trade should also become more active when the Chinese have a clearer idea of their probable requirements, possibly in March or a little later. As for Canada, our own share of this trade should increase if Canadian exporters are willing to pursue sales opportunities and venture into an area where business methods are unlike those to which they are accustomed. Our geographical location puts us in a better position to supply many commodities than the European producers of similar goods.

Surmounting Trade Barriers

The principal obstacles to greater trade at this time, apart from the controls on the export of strategic materials, are:

1. The Chinese lack of knowledge about the range of commodities that Canada can supply.

2. The Chinese preference for making payment in currencies other than Canadian dollars, in spite of their favourable balance with Canada.

3. The limited facilities for making direct shipments from Canada to Mainland China.

The first obstacle can be removed if Canadian exporters try to make their products known. The second will not disappear until the Chinese understand that this policy works to their disadvantage by cutting them off from sources of supply in Canada. The third, however, is being surmounted by the recent institution of two direct shipping services between Vancouver and Chinese ports. Under these circumstances, prospects for Canadian trade with Mainland China are improving and next year our exports should exceed the present $2 million or slightly less a year. Much will depend, however, on the degree of China's success in solving the economic problems that today are limiting the possibilities of expansion. ●

See also the article "How to Trade with Mainland China" in our February 1, 1958, issue—Editor.

Taiwan

Lower prices for sugar, the main export, and cut in U.S. aid will affect Taiwan's budget in 1958 but imports of equipment and industrial raw materials will be needed for industrial build-up. Canada's sales doubled in 1957, though our share of market remains small.

W. M. MINER,
Assistant Trade Commissioner, Hong Kong.

THE end of 1956 marked the completion of the First Four Year Economic Plan in Taiwan and the early months of 1957 were months of assessment and looking to the future as the island prepared for greater progress during the Second Plan. The pause between plans provided a useful opportunity for surveying business conditions and examining commercial trends.

Results of the First Plan were encouraging, with an estimated over-all rise in industrial output of approximately 50 per cent and a smaller but none the less significant 20 per cent increase in agricultural production. The reported sharp rise in national income of about 40 per cent over the four years and greater trade in both directions were further evidences of success. This progress was made despite a steady drain of resources for the defence build-up as the island continues in a state of national emergency. A persistent unfavourable balance of trade calls for strict economy measures and substantial amounts of United States aid if the current rate of expansion is to continue and the budget is to be balanced.

—Chinese News Service, N.Y.

These girls in the Hung Fu textile mill, established in Taiwan with the help of Overseas Chinese investors, are producing cotton and silk fabrics for domestic and South East Asian markets.

Taiwan embarked on the Second Four Year Plan in 1957 and the year witnessed the initial steps towards its fulfilment. The emphasis in the Second Plan, as in the First, is chiefly on long-term industrial development. Over the next four years it is hoped to raise net national income by 33⅓ per cent and agricultural production by 20 per cent and to more than double industrial output. To attain these objectives, substantial imports of capital goods and raw materials will be needed, plus greater exports of Taiwan products.

PAST PRODUCTION WITH PLANNED GOALS FOR CERTAIN MAIN INDUSTRIES

Item	*Unit*	*Production 1952*	*Production 1956*	*Target 1960*
Cotton cloth	1,000 sq. yd.	72,000	150,000	213,000
Coal	1,000 m.t.	1,700	2,563	3,400
Paper	m.t.	24,200	48,254	90,000
Fertilizer	m.t.	132,000	191,600	*
Aluminum and products	m.t.	*	13,100	46,500
Farm machines	unit	....	....	2,500
Electricity	million kwh.	1,420	3,450	3,912
Shipbuilding	tons	*	12,000	102,000

*Figures not available.
Source: Industrial Development Commission, Taiwan.

Trade Controls Maintained

The past year witnessed definite progress towards these goals. This was not accomplished without problems and some of these became more apparent in the latter part of the year. Government austerity curtailed the use of foreign exchange for all goods except those associated with the industrial and defence build-up programs. A strict system of import licensing continued to retard trade as leaders attempted to encourage industrialization and decrease the trade deficit. Taiwan lacks the capital necessary for the planned development and this has led to shortages and restrictions, resulting in the tight money situation which continued and became worse as the year went on. The policy of limiting the establishment of new factories and rationing raw materials was still enforced. Wholesale and retail prices climbed and further steps were taken to check inflation. In addition, Taiwan's population is increasing rapidly and now totals approximately 9.4 million (excluding the armed forces), compared with 8.1 million in 1952.

Agriculture Is Mainstay

Despite these difficulties, agricultural production remained above the 1956 figure and industrial output increased substantially. Foreign trade receipts in 1957

totalled approximately US$168 million, an increase of about $28 million over 1956. In 1956, US$228 million was spent on imports and U.S. aid provided 42 per cent of the funds for them. However, this aid is expected to be cut by US$20 million during the fiscal year ending in June 1958. The gap will be closed to some degree by recourse to the United States Development Loan Fund and the farm surplus aid program but vigorous measures will be needed to increase production and exports to support the present expansion. A decline in the price of sugar, which in 1957 accounted for about 70 per cent of total exports from Taiwan, will aggravate the situation. Rice provided about 10 per cent of the remaining exports and as the first crop of last year was a record, this will partially offset the smaller returns from sugar. Despite the progress of industrialization, the economy of Taiwan still largely depends on agriculture and agricultural products constitute the major part of total exports.

Japan Is Chief Supplier

The economy of Taiwan is closely tied to Japan because the island was under Japanese domination for half a century before the end of World War II. An agreement between the two countries encourages two-way trade and Japan supplies over 50 per cent of Taiwan's imports. Because U.S. aid plays such a major role in supporting the economy, the United States is the second largest supplier, providing about 20 per cent of Taiwan's needs; all agricultural products under support programs and imported with U.S. aid must come from the United States. A number of other countries participate in the remainder of the trade, Canada among them.

Canada's Exports Rise

Canada's sales to Taiwan more than doubled in the first ten months of 1957 compared with the previous year, although our share of the market continues to be relatively small. Substantial exports of wood pulp, asbestos fibres, electrical apparatus and semi-fabricated aluminum were mainly responsible for the increase but sales of a number of other items also went up, as the table above demonstrates. This should stimulate increased interest in the Taiwan market among Canadian exporters.

Taiwan's sales to Canada up to September 1957 totalled approximately $14,000 less than in the preceding year, as sales of black tea fell significantly and the loss was only partially compensated by larger exports of other foodstuffs and knitted articles. Last year saw Taiwan's initial attempt to participate seriously in the Canadian market for Mandarin-type oranges. Small shipments were made early in the year and more substantial ones later to meet the Christmas demand.

CANADIAN EXPORTS TO TAIWAN

	First ten months 1957	*1956*	*1955*
	(Values in Canadian $1,000)		
Wood pulp sulphate kraft	493	181	538
Electrical apparatus, n.o.p.	178	52	....
Asbestos milled fibres	109	37	66
Malt	108	174	85
Aluminum, semi-fabricated	96	....	....
Zinc spelter	46	17	20
Pyrite	42	....	....
Whisky	34	44	58
Lead	26	29	3
Drugs and chemicals, n.o.p.	17	44	4
Synthetic resins, n.o.p.	16	21	....
Calcium compounds	15	....	....
Cattle hides, raw	13	5	11
Synthetic yarns and fibre	12	....	....
Cameras	10	....	....
Total for the period, including all exports	1,325	751	1,227

Source: Dominion Bureau of Statistics.

Prospects Hard to Assess

To predict accurately the commercial future of a country largely dependent on exports of agricultural produce and on foreign aid is not possible, because both sources of revenue are subject to wide fluctuations. On the other hand, the early rice crop was a record one and the growing season remained favourable throughout the year. The Government is actively promoting exports through export subsidies, loans to traders, manipulation of the exchange rate, programs to encourage overseas capital, and by direct participation in trade. In fact, a large percentage of export trade is in the hands of the Government and sales made by private companies in 1957 dropped by 20 per cent compared with 1956. The larger crops and increased exports will be offset to some degree by lower prices and less United States aid. Leaders in Taiwan express some concern over the future and the commercial community, in line with many other areas in South East Asia, is adopting a go-slow attitude in the face of a tendency towards a recession in some of the major countries.

Taiwan is expected, however, to continue its vigorous development program as laid down in the Second Four Year Plan. To attain this goal, substantial imports of equipment and industrial raw materials will be necessary and Canadian exporters should therefore not lose contact with this market. ●

See also "How to Trade with Taiwan" in the November 9, 1957, issue of "Foreign Trade"—Editor.

Hong Kong

Decrease in sales to South East Asia in 1957 partially offset by increase in exports to Britain, U.S. and South Africa, but trade deficit larger than in 1956. Imports from Canada up by about $400 thousand in first ten months, with industrial raw materials and foods in the lead.

W. M. MINER,
Assistant Trade Commissioner, Hong Kong.

THE tiny British Crown Colony of Hong Kong, perched on the rugged coastline of Mainland China and strategically located within the South East Asian community, continued throughout 1957 to attract trade, capital and foreign businessmen. Trade remained brisk, industrial development and construction proceeded at a rapid pace, and larger numbers of business visitors and tourists moved through the settlement, enjoying Hong Kong's attractions and participating in its commerce.

Canada shared in the business life of Hong Kong to a greater degree in 1957. Our exports rose by approximately Can.$400 thousand in the first ten months of the year. More Canadian businessmen visited the colony in the interest of our trade and to benefit from the fact that Hong Kong, as a busy transhipment port, collects commercial intelligence covering most of this part of the world. Tourists from Canada came also, because Hong Kong is one of the great Chinese cities, known abroad for its scenic attractions, local colour, and shopping bargains.

Problems Emerge

But for all its prosperity and development in 1957, Hong Kong was not without its problems. Political and economic difficulties in some of its traditional markets reduced sales to those areas and the total value of exports decreased. Many trades were over-stocked and godowns remained full of metals, yard goods, fibres and other stores at the year's end. Competition from other Asian exporters—notably Japan, Mainland China and India—threatened some markets and businessmen were concerned about possible restrictions on Hong Kong merchandise in major world outlets. The transhipment trade with China showed few signs of recovery; in fact, the ocean freight market was dull through much of the season. Refugees continued to enter the Colony, complicating the already desperate housing and employment conditions.

Four major events left their mark on the business life of Hong Kong last year. Traditionally dependent for some of its vitality on China trade, this source of revenue slumped drastically with the embargo and has had to be replaced by trade in other directions and by the development of local industry. The relaxation of some of the controls on exports to Mainland China in several countries in mid-1957 sparked new enthusiasm for this aspect of trade. Businessmen realized that total trade with China would not rise rapidly but the trend to freer commerce was welcomed. Some initial business was transacted and a share of it was funnelled through Hong Kong. But during 1957, exports to Mainland China from the Colony were slightly lower than for the corresponding period in the previous year.

The unfavourable situation in Indonesia had an adverse effect on sales to that country and in certain months exports to South Viet Nam were down because of the trade recession there. The market for Hong Kong goods in South Korea, Thailand and India shrank drastically and sales to Japan, British Borneo, and a number of other countries lost ground. However, these losses were partially offset by significant increases in exports to the United Kingdom, the United States and South Africa. Shipments to Canada went up by about Can.$930 thousand in the first nine months of the year, according to DBS figures. Over-all, Hong Kong exports of merchandise were down approximately Can.$32 million from 1956, which leaves a somewhat alarming unfavourable trade balance of about Can.$355 million, substantially larger than the adverse balance of the previous year. An encouraging feature of the year's trading was a further expansion in exports of locally manufactured products.

Two monetary measures instituted in the United Kingdom affected the Colony adversely. The increase in the bank rate was reflected in higher interest rates in Hong Kong and because credit is vitally important to local industry, the higher rate worked to the disadvantage of business. In addition, measures taken by the Bank of England to stop the leakage of dollars from the sterling area to North America through the open money market here seriously hampered stock-market transactions by United Kingdom buyers.

From the Canadian exporter's point of view, the latter measure, and the reduction in the premium on the Canadian over the U.S. dollar, have been an advantage, making Canadian quotations more favourable in terms of local currency.

The fourth event which dominated the commercial atmosphere was the heavy stock position of some trades. At the year's end, supplies of metals, yard goods, textiles, newsprint, paper and a number of

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other commodities were very large and weakened sales prospects.

Composition of Canada's Trade

The range of commodities exported from Canada to Hong Kong is wide and at first glance gives one the impression that most goods can be sold here, if only in small quantities. Trade is extremely competitive, however, because Hong Kong is a free port with duties levied only on a few luxury items. Canadian shippers must compete with all major suppliers; our only advantage is in sales of raw materials for use in the production of articles re-exported to Commonwealth markets where preferential tariff rates apply provided the goods have the necessary Commonwealth content.

Hong Kong is an important market for industrial and consumer goods with a re-export trade involving most of Asia, a domestic population of over two-and-a-half million, and an expanding industrial community. But a close look at the trade statistics reveals that 16 commodities made up over 80 per cent of our sales to Hong Kong in the first ten months of 1957. As the following table indicates, the best sellers were raw materials for industry and some foods, but certain other consumer goods also sold well.

PRINCIPAL CANADIAN EXPORTS TO HONG KONG

Commodity	*1955*	*1956*	*10 months 1957*
	(thousands of Canadian dollars)		
Plastic raw materials	1,670	1,487	1,519
Wheat flour	1,342	1,203	747
Primary aluminum	531	520	471
Automobiles over $1,000	153	373	468
Fountain pens and sets	371	529	363
Medicinal roots, herbs, bark	147	155	296
Wheat	571	760	260
Newsprint paper	413	86	175
Copper scrap	....	51	146
Film, motion picture	114	94	136
Steel plate, sheet, strip	226	265	133
Gluten and food starches	280	149	111
Medicinal preparations	220	193	106
Douglas fir planks and boards	125	93	97
Gas engines and parts	68	53	90
Total value	7,253	7,026	6,112

Source: Dominion Bureau of Statistics.

Other products selling in substantial quantities in 1957 include whisky, glass lenses, brass scrap, beef and pork offal, rolled oats, cameras, dry salt herring, synthetic fibre and thread, rubber tires, men's cotton shirts, files and rasps, dolls and toys, frozen and canned salmon. Many finished consumer goods and specialized foods sell in smaller amounts, mainly to the European population.

Exporters interested in the Hong Kong market should study the statistics available in Canada and Hong Kong to see whether similar items are sold and whether Canadian products are competitive with those of present suppliers. If so, the Trade Commissioner, on receipt of samples and quotations, can help in assessing market prospects through his contacts with local importing firms. Most trade is done by import-export houses which deal in a large number of lines and maintain connections in Hong Kong and throughout South East Asia. If prospects look favourable, a visit to the market may pay dividends.

Best Sales Prospects

As the above table shows, prospects are brightest for sales of materials to service Hong Kong's fast-growing industries. There is a demand for most food products that are competitive in other overseas markets, and for certain finished goods. Exporters must bear in mind that goods of all the principal exporting countries are found here. The consuming public (with the exception of a small percentage of Europeans and wealthy Chinese) does not look for many of the consumer goods sold elsewhere, because the vast majority are in low-income groups. For this reason and because there are no tariffs, price is extremely important.

Hong Kong businessmen continue to be optimistic about the future, although the rapid expansion of recent years shows some signs of levelling off. The increasing trade deficit and the loss of a percentage of certain markets give cause for concern. Increased efforts will be made to sell abroad in the face of keener competition from other Asian countries, but there is little prospect of participating in China's import trade to any extent. Hong Kong is particularly vulnerable to economic conditions in South East Asia, the United Kingdom and the United States, and the commercial community is watching these areas carefully, seeking the key to its own future.

Tours of Territory

H. J. HORNE, Trade Commissioner in Karachi, Pakistan, will visit Afghanistan from March 9-16.

M. S. STRONG, Assistant Trade Commissioner in Kingston, Jamaica, will visit Belize, British Honduras, from March 4-10.

Businessmen who would like these officers to undertake assignments for them should get in touch with them at their posts as soon as possible. Mr. Horne can be reached at his office in Karachi, and Mr. Strong at Kingston.

Macao

Trade expected to revive, as current government development plans help to improve commercial possibilities.

W. M. MINER,
Assistant Trade Commissioner, Hong Kong.

TO the northwest of Hong Kong, a mere three hours by ferry, lies the tiny Portuguese colony of Macao. Situated on the delta formed by the Pearl and West Rivers on the coastline of China, this miniature community's contribution to the commerce of South East Asia far outweighs in importance its size or its population. Macao is the oldest foreign settlement in the Far East and consists of a peninsula and two islands with a total area of less than ten square miles. It has a population of about 200 thousand permanent residents, with at least half as many floating inhabitants, almost all of whom are Chinese. This makes it the third largest Portuguese city, despite the fact that its greatest length does not exceed two-and-one-half miles. Because it is an entrepôt centre on the border of China, the Colony's trade has special significance today.

Trade Revives Slightly

Macao entered 1958 with a quiet and confident air, in keeping with its history of 350 peaceful years. Last year saw the revival of some of the Colony's trade, coupled with greater investment, continued tourist traffic, and expansion of some of its industries. In many ways, Macao is similar to Hong Kong; it is a free port and a transhipment centre, obtaining much of its prosperity from trade but encouraging local industry and tourists to supplement its income. But it lacks Hong Kong's magnificent harbour and has no open money market of its own; it uses the British Colony's money market so that much of its commerce is channelled through Hong Kong.

Like its neighbour, Macao suffered from a shrinkage in trade as a result of the embargo on China trade and its economy now depends more on its principal industry, fishing, and on other local industries such as the manufacture of matches, firecrackers, incense sticks and textiles, plus the tourist trade. It obtains considerable revenue from its free gold market which distributes gold throughout South East Asia. Of necessity, the Colony maintains peaceful relations with Mainland China on which it depends almost entirely for the necessities of life.

Macao's trade totalled some 140 million patacas in value in 1956, or approximately Can.$24 million, a fall of 20 per cent from 1955. Imports totalled about $15 million and exports about $9 million. Because transactions go through Hong Kong, there are no statistics on Canada's trade with Macao but it is largely confined to flour and other items for the provisioning trade, with a few raw materials to service industry and occasional shipments of machinery, automobiles and parts.

Development Plans

The Government of Macao has its own Development Plan and much of the investment under this plan will be used to enhance its commercial possibilities. Harbour and air facilities are being improved and certain industries fostered. The tourist trade is being encouraged and it may be that the economic health of Macao will be best fostered through reliance on its major assets—a charitable and tolerant people, dwelling in an attractive city steeped in tradition and history. Although Macao is unlikely to be very important to traders in Canada, businessmen visiting this part of the world will find a trip there interesting and relaxing. ●

Cambodia

Good crops and continued foreign aid have brought relative prosperity; development plans stress light industry and better communications. Trade with Canada still negligible but may grow as country progresses.

C. M. FORSYTH-SMITH,
Trade Commissioner, Hong Kong.

CAMBODIA is, by eastern standards, a prosperous country. The economy is based on agriculture and the principal crops are rubber, rice and maize. During 1957 prospects for the rice crop gave cause for concern because of the late arrival of the wet season. Fear of famine prompted the Government to ban exports of rice temporarily, to make special arrangements for storage of seed grain, and to take steps to improve water storage and irrigation facilities in the countryside. When the rains did come, however, they were adequate and the 1957 rice crop appears to be about normal.

Despite the natural fertility of the land and the relative prosperity, Cambodia has obtained and continues to receive substantial grants of foreign aid from the United States, Mainland China, Russia, France, Germany and a number of other countries. This has enabled her to maintain a reasonably good flow of imports of a wide variety of goods; in 1957 she also increased substantially her holdings of foreign exchange. During the first half of the year, exports rose to 995,641,000 riels compared with 609,481,000 riels during the same period of 1956, giving Cambodia a favourable trade balance for the first time since independence. (The Cambodian riel equals approximately $0.028 U.S.) In the same period, imports decreased from 951,685,000 to 770,487,000 riels. Larger foreign sales of rice as a result of a good crop in the 1956/57 season accounted for most of the rise in exports, but rubber sales also increased, though not as much.

Results for the second half of the year are expected to be less favourable as the effect of the temporary ban on rice shipments becomes apparent. The smaller imports resulted from the difficulties of and changes in the administration of the import licensing system, which meant that little foreign exchange was allocated for imports during the first half of the year. The new system under the Commission for the Allocation of Foreign Exchange seems more satisfactory and allocations during the second half of 1957 have been made at regular intervals. It is likely that imports during the second half of the year will be up considerably and that, as in the past, there will be a trade deficit.

Industrial Progress Is Slow

The United States is the major source of outside economic aid and the United States aid authorities have been attempting to channel it into the establishment of various light industries. This is proving difficult, however, and individual Cambodians seem to have no great inclination towards industrial progress. During the year a Productivity Commission was established, with the following duties:

- To study all projects likely to promote the economic development of the country and to recommend steps to implement various projects.
- To co-ordinate all operations concerned with productivity with the object of making the best use of all credits allocated from national and from foreign aid funds.
- To consider and make proposals to the Government on administrative measures which would lead to more rapid and efficient action in the field of productivity.

Despite these efforts, no great advances by local Cambodian companies should be expected. New private foreign investment is limited and likely to remain so in view of regulations governing capital investment. These regulations provide that 51 per cent of capital invested in industry must be Cambodian, that remittances abroad of profit on capital subscribed in local currency are not permitted, and that 70 per cent of staffs must be Cambodian. On the whole, industrial development based on private initiative is likely to remain slow and since there is no shortage of foreign exchange and no expectation of a decrease in foreign aid, incentive for strenuous industrial activity is lacking.

Two-Year Plan Promoted

Official efforts to diversify the economy are, however, going forward and the two-year development plan introduced by the Government in 1956 is designed to increase national production in various fields. The plan concentrates heavily on production of rice, cattle, fish, tobacco, pepper, and maize, and also envisages a start on mineral prospecting and increased output by light industry. Communications also play an important part and it is here that the most encouraging advances have taken place. The principal project is the construction of Cambodia's first deep-water port at Kompong-Som, with a road connecting it to the capital, Phnom-Penh, some 100 miles away. Carried out with United States and French aid, this venture is scheduled for completion in 1958 and will enable cargo to and from Cambodia to avoid transhipment in Viet Nam. In general, however, the over-all plan is very ambitious and many of the projects will not be started by the end of the two years.

Long-term prospects for the Cambodian economy seem favourable, although no spectacular achievements are likely. Agricultural production should expand steadily and with better communications, the distribution of goods should improve. Shortage of trained technical and administrative personnel will continue to hinder rapid development of light industry, but there should be some progress.

Trade Prospects

There are no statistics covering trade between Canada and Cambodia, but it is known that our exports have in the past been negligible. As Cambodia progresses, however, prospects for Canadian goods should improve, particularly for paper, machinery, sawmill and logging equipment, chemicals and pharmaceuticals, outboard motors, marine engines, asbestos, hardware, machine tools, petrol-operated refrigerators, electrical generators, rice mills, cheese, beer, earthmoving equipment, pumps, tinplate, aluminum and fertilizers. Cambodia's prospects for sales to Canada are not good because exports are limited largely to rice, rubber, maize and pepper, which we buy principally from other traditional sources. ●

Laos

Conditions are improving but foreign aid still finances development plan and most of the imports. Trade opportunities limited to supply of goods needed for special projects.

C. M. FORSYTH-SMITH,
Trade Commissioner, Hong Kong.

LAOS subsists almost entirely on agriculture, raising chiefly rice, rubber, coffee and tobacco. It also has extensive timber resources but has developed them to a very limited degree. In prewar years, rice production normally met local requirements, but it never became an important export and during recent years the country has usually had to import some. Before the war, tin concentrates produced from two mines were an important export; so were coffee, timber and cattle hides. In the postwar years, however, political disturbances, the struggle for independence and, latterly, civil war have cut production of all these and total exports in 1956 were valued at less than US$2 million. Following the attainment of independence in 1954, which brought with it some degree of political stability, output has gradually increased. But the economy remains primitive and the standard of living low.

Foreign Aid Finances Development

The development program that the Government introduced in 1953 was designed to lay the foundations for a more stable economy. The principal projects were in the fields of communications, irrigation, rural electrification, and hydro-electric power development. Because an ambitious program was far beyond its resources, Laos has depended almost entirely on outside aid—provided principally by the United States, France, the Colombo Plan and the United Nations—to carry it into effect. American aid supports the armed forces and police and has been an important factor in road construction, agricultural production and education; at the same time it has provided funds for most of the imports, mainly consumer goods. The French contribution goes chiefly to internal communications, road construction and repair, the building of schools and hospitals, and the enlarging of the airport at Vientiane, the capital. Colombo Plan and UN aid have covered mainly technical assistance and education, and earthmoving and agricultural equipment has also been received under the Colombo Plan.

Difficult Problems Impede Progress

The continuation of foreign aid for many years seems to be the only hope for the development of a viable Laotian economy. Its geographical position, landlocked and difficult terrain, lack of trained technical and administrative personnel, the prejudice of the peasants against introduction of modern farming techniques, and the shortage of local capital and skilled labour all constitute formidable obstacles. Vast timber resources, some rich agricultural land, known resources of tin and potential ones of other minerals indicate the direction that national resource development must follow.

Statistical details on Canadian trade with Laos are not available but it is known that it amounts to very little. Nor are prospects for the future encouraging. It is possible that Canadian suppliers may be able to participate in the supply of equipment and other goods required for the development program, such as sawmill equipment, paper products, some chemicals and possibly pharmaceuticals. ●

—Robert Crone

Shoppers crowd the busy marketplace in Vientiane, capital of Laos. Local markets continue to cater mainly to basic needs as the country struggles to develop its resources with outside aid. Meantime the standard of living remains low and most of its people depend on agriculture for subsistence.

Vietnam

Measures directed against Chinese traders have led to stagnation in some businesses and withdrawal of capital. Regulations on import trade have been relaxed and this may mean greater stability. Canadians should intensify their interest in this market.

C. M. FORSYTH-SMITH,
Trade Commissioner, Hong Kong.

ECONOMIC progress in South Viet Nam in 1957 continued to depend largely on external aid from the United Nations Technical Assistance Program, the Colombo Plan, the French Technical and Economic Aid Program, and the U.S. Aid Program. All these continued at varying levels during the year, with the United States Aid Program maintaining its dominant position.

Agricultural production during the early part of the year increased over 1956 and prospects for the 1957-58 crop year are good. Rubber output showed little advance but the replanting of neglected plantations made substantial progress, improving the outlook for future years. Livestock numbers have continued to increase and in 1957 were some 30 per cent higher than in 1955. Forestry production held to the 1956 figure and fisheries production expanded. Industrial output—which accounts for only about 10 per cent of the gross national product—exhibited conflicting tendencies, with increases in coal, salt and raw sugar and decreases in beer, tobacco, spirits and industrial gases. Building activity, which slackened off in 1956, declined still more in 1957.

Overseas Chinese Withdraw Capital

The most disturbing development during the year was the partial withdrawal of capital by the overseas Chinese residents who control some 80 per cent of the internal trade of the country. This resulted from action taken by the Government under which eleven key trades traditionally dominated by Chinese were barred to those Chinese who would not accept Vietnamese citizenship. In some of these trades, near-stagnation followed, plus a fairly widespread trade recession. Year-end reports from Saigon indicated no early easing of the position and the outcome remains uncertain. But the Government may well find it necessary to modify its restrictions against the Chinese or face more serious economic repercussions.

Partly as a result of the Chinese predicament, French interests appear to have fared better in 1957 and discrimination against them, which was widespread in the previous two years, has eased to some extent. No doubt this is due to the Vietnamese dependence on both French and Chinese investment and the difficulties of operating without their support. While French confidence seems to be reviving and the rate of withdrawal of French capital has slowed up, there are few signs of any substantial new French investment.

Foreign Investment Encouraged

During the year the Government took steps to create conditions favourable to private investment, and particularly foreign investment. To date these efforts have had little effect and unless more encouragement is given, an inflow of capital seems unlikely. Among the incentives offered are guarantees against nationalization and expropriation without due compensation; exemption from certain fees and taxes for limited periods; exemption from and reduction of customs duties on certain types of capital equipment; authorization for foreign technicians to repatriate family savings; export subsidies on some exportable goods; repatriation of industrial and commercial profits, and guarantees that capital from abroad may be repatriated at the rate of 20 per cent a year after operations begin. Factors which continue to discourage foreign investment in Viet Nam include lack of confidence in its political stability, continued evidence of discrimination against some foreign investors (such as the French and Chinese), and provisions under which the State may reserve for itself and its nationals financial and management participation in certain industries in excess of 51 per cent. To date little private foreign capital has been invested in Viet Nam and as local capital is extremely limited, industrial development continues at a slow pace.

Import Trade Regulations Changed

The general reduction in economic activity during the second half of 1957 has resulted in an important change in regulations concerning the import activities of individual companies, effective from January 1, 1958. Previously, import firms were permitted to handle only three out of a total of 18 categories of goods. This system led to abuses such as front organizations operating on behalf of larger trading companies, the sale of import quotas, and the springing-up of small, inexperienced and inadequately financed importers. All this contributed to the general trade recession in the second half of 1957. The new regulations place no restrictions on the number of categories that any one importer may handle. Companies wishing to import goods in all categories pay a fairly high licence fee; those interested in limited

numbers of categories pay a smaller one. This change will probably result in the strengthening of the position of the larger companies, the elimination of some smaller ones, and more stability in the general import program.

At the year's end, the outlook for trade in 1958 was not promising. Merchants were overstocked, warehouses were full to capacity, and large stocks remained uncollected on the wharves. Money was tight and likely to remain so. It will be some time before the backlog of imports financed with United States aid funds can be cleared and until this is done, little in the way of new business is to be expected. United States economic aid to South Viet Nam will almost certainly continue at a high level for some years. As in the past, a large percentage of these funds will be used to finance imports of consumer goods, despite efforts to channel the money toward productive enterprises. As long as this aid continues and provided sound internal policies are adopted, long-term trade prospects should progressively improve.

Canadians Show Interest

Canadian exporters showed much more interest in the South Viet Nam market in the second half of 1957 and made a large number of inquiries about trade prospects. Unfortunately these efforts coincided with the slight recession in business and results were not as good as had been hoped. Nevertheless a number of Canadian companies have appointed agents in Viet Nam and some new business has developed. These contacts will no doubt prove useful in the future and despite the present rather unfavourable outlook, Canadian traders should intensify their efforts to enter this market. ●

Thailand

anadian sales to Thailand rose slightly last year; mporters are interested in offers from Canada in ertain lines, detailed in this report. Improveents in transport and communications are going orward with foreign aid.

. G. HUXTABLE,
ssistant Trade Commissioner, Singapore.

HE business outlook in Thailand is less encouraging an it was last year. Production of rice, the basic dustry, has suffered from a late monsoon and the xportable surplus will be reduced to about 1.2 million ns. In 1957 exports, at 1.6 million tons, were gher than in any year since World War II. The uality of the current rice crop may be a little poorer ut exports are carefully graded and will find a ady market. Thailand has no obligations under ng-term contracts and should benefit from an anticiated rise in export prices. Rice represented 41 per nt of total exports (valued at some $337 million) 1956, rubber 22 per cent, and tin 7 per cent.

e outlook for the other major export industries is ly slightly less favourable than in 1957. Tin exports ll be restricted in the early part of the year under e International Tin Agreement and the decline in reign sales of teak timber, the result partly of nationalization, is not likely to be reversed in the foreseeable future. The gradual increase in rubber exports over the last three years should continue in 1958 and prices are expected to remain close to or just below those of last year.

—United Nations

This worker is lifting paddy rice from a flooded seedbed near Bangkok. Thailand will have less rice to sell abroad in 1958 because bad weather has damaged this all-important crop.

The shops are full of goods. Following relaxation of import restrictions, more goods were imported in 1957 than ever before, despite some political uncertainties. Thai statistics to the end of September show total imports into Bangkok, the major port, at approximately $296 million, some 24 per cent higher than for the same period in 1956. The year 1958 thus began with an overstocked market and a tight money supply. Except for a relaxation in regulations on automobile imports and protective bans on imported plywood and low-priced glass tumblers, no major changes in trade regulations were made last year.

Economic Development Continues

Evidence of economic assistance to Thailand from the United States, with emphasis on improving transport and communications, is widespread. This assistance is expected to remain close to last year's figure, about $35 million. The country has also obtained loans from the International Bank for Reconstruction and Development for railway improvement, including the purchase of rolling stock and locomotives, and for the Bhumiphol Yanhee dam project. The first stage of the Yanhee project, to be completed by 1964, includes the construction of the dam on the Ping River and the installation of two turbines and 70,000 kw. generators and of transmission lines to Bangkok. The Bank has agreed to lend $66 million for the project and tenders for the construction part of it will be opened on April 14, 1958, in Bangkok. The Yanhee project is to be matched by modernization of electric power distribution facilities in Bangkok under a separate program.

Canadian Trade with Thailand

The main Canadian exports to Thailand are flour, files and rasps, aluminum, motor vehicles and television receivers. DBS figures give Canadian exports to Thailand for the first eleven months of 1957 at $1.94 million, compared with $1.68 million for the same period in 1956. The increase in exports was shared by several commodity groups: flour was up $76 thousand to $748 thousand, files and rasps up $126 thousand to $150 thousand, aluminum up $58 thousand to $173 thousand, television receivers and equipment up $143 thousand to $150 thousand, asbestos up $159 thousand to $274 thousand. Exports of Canadian tallow during the same period dropped by over $200 thousand to only $5,000 and motor vehicles and parts fell by $21 thousand to $133 thousand. Other Canadian exports to Thailand, such as steel, farm implements and lanterns, declined but not as sharply.

Imports into Canada from Thailand for the first nine months of 1957 dropped to $543 thousand from $893 thousand for the same months of 1956. The main reductions were in rice and in lac, the raw material from which shellac is made. These two commodities and crude rubber made up the greater part of Canada's purchases.

Market Prospects

Canadian businessmen will find that the Thai market for manufactured goods is dominated by Japan; proximity, early deliveries, low prices, improving quality, and compelling sales methods make her a formidable competitor. European and British manufacturers also seem to take a keen interest in this market.

However, there are some opportunities for Canadian sales. Bangkok importers will receive with interest competitive offers of aluminum, copper, toilet tissue, laminated plastic sheets, plastic moulding compounds, television receivers, attractive builders' hardware, floor coverings, underground telephone cable, metal furniture, steel rails, and some chemicals such as ammonium sulphate fertilizer and roll sulphur for sugar refining. ●

Burma

Smaller rice crop and drop in rice exports expected in 1957-58. This development, plus fall in foreign exchange reserves, has brought measures to cut down imports. Supplying equipment for projects supported by World Bank loans and ICA aid presents best current trade opportunities.

M. P. CARSON, *Trade Commissioner, Singapore.*

RICE exports from Burma are expected to drop considerably in the fiscal year 1957-58, despite the Government's plan to step up production. Crop failures frustrated this plan—a discouraging development, because last year brought a good crop, successfully marketed in foreign countries. In fact, for the first time since World War II Burmese rice exports reached a reported two million tons.

A recent official forecast for paddy production was for a yield of about 5.2 million tons, compared with last year's 6.36 million. Prewar, annual paddy production averaged 7.5 million tons. The exportable surplus from this year's crop is estimated at only about 1.3 million tons and, including the carryover,

otal exports in 1957-58 appear unlikely to exceed .6 million tons.

Rangoon reports that the price of rice exported on overnment account this year has been fixed at the 957 rate—approximately £33 F.O.B. for Ngasein MS quality. This is the lowest postwar rate for Burmese rice. Consequently, the drop in volume will mean a serious fall-off in foreign exchange receipts. Burma is heavily committed to long-term contracts for rice exports. India will take 500 thousand tons this year for cash payment and Ceylon and Pakistan will take 200 and 100 thousand tons respectively, also for cash. The U.S.S.R., Czechoslovakia and Yugoslavia will obtain large amounts on barter terms.

Exchange Reserves Drop

Foreign exchange reserves fell during 1957 and in November stood at approximately $78.3 million, down from $112 million at the beginning of the year. There was a tendency a few months ago not to be alarmed about the dwindling reserves because exports of rice were extremely good and the crop outlook for 1957-58 encouraging. However, with large forward export commitments for rice exports, the authorities will have to take another look at the position of the exchange reserves and drastic restrictions on imports can be expected in 1958. In January of this year Open General Licences were curtailed to some extent.

Import Regulations Altered

Early in 1957 import regulations on certain essential goods were relaxed. The following were freed from control: infant and invalid milk foods, peanut oil, rubber tires and tubes for motor vehicles, biscuits, butter, milk powder and printing paper. The cost-of-living indexes in Burma had skyrocketed and consumer goods were running short, and this relaxation was aimed at easing the upward pressure on prices. However, the Rangoon cost-of-living index increased from 349 in January 1957 to 387 in October (1941=100).

Heavy increases in customs duties on a wide range of commodities were contained in an order issued September 24, 1957. This action was designed principally to discourage the import of luxury and non-essential goods. The duty on wines and liquors was increased to 300 per cent ad valorem, on perfumes and toilet requisites containing spirit to 200 per cent, on fine fabrics and quality textiles to 100 per cent, electrical appliances to 60 per cent, motorcars to 75 to 150 per cent (depending on h.p. rating), automotive parts to 40 per cent, radios and musical instruments to 60 per cent.

Four Year Plan Revised

In June 1957 the Prime Minister, U Nu, outlined a new approach to the development plan. It was evident from this that the rate of expansion of old and the introduction of new industries will be curtailed. Measures restoring law and order will have priority because the insurrectionists in Burma will have to be subdued before large-scale industrial expansion can be considered. Moreover, Burma's foreign exchange reserves have proved insufficient to maintain the large number of new industries envisaged under the original Four Year Plan.

The development of agriculture and mineral extraction will be stressed in 1958 and industrialization less emphasized. In conjunction with this decision, more reliance will be placed on foreign assistance and better terms offered to attract foreign investors to Burma.

In keeping with the revised plan that U Nu outlined in 1957, the Government on January 13, 1958, issued a statement announcing that expenses incurred in prospecting for minerals or petroleum, which formerly could not be included in expenses for income tax assessment, will now be considered legitimate charges, exempt from taxation. This privilege will be confined to the Government's exploration program approved by the Ministry of Mines.

There are reports that a United States exploration mission consisting of representatives of private mining companies will visit Burma as a result of interest developed at the International Development Conference in San Francisco last year and the recent conference of the Council of Commerce and Industries in New York.

Sizable Loans Obtained

Canadian firms may find it possible to do business in Burma as a result of loans made by the World Bank and the United States ICA program.

The World Bank approved a loan of $14.0 million for the development and improvement of the Port of Rangoon. The civil engineering work in preparation for additional docking space is progressing smoothly and it seems likely that the target date, the end of 1959, will be met. World-wide bids are invited on various subsidiary equipment, dredges, tugs, heavy vessels, etc., and specifications and invitations to bid are forwarded to Ottawa from time to time because Canadian firms may be in a position to submit tenders.

Land Reclamation Scheme

The United States loan of $25 million is gradually being distributed to essential projects. One of the early decisions allocated $5.4 million for the purchase of heavy equipment for the Agricultural Research Development Corporation's four-year land reclamation project. Under this program more than 1.2 million

acres of land in the Irrawaddy Delta area will be restored to cultivation and an additional one million acres adequately protected against floods. It is expected that this ambitious and worthwhile project will enable about a million Burmese who left the delta lands because of the ravages of war and insurrection to return to them. An increase in rice paddy production of approximately 900 thousand tons (or 600 thousand tons of milled rice) per year will result. The expected increase in foreign exchange earnings and the prospect of bringing rice exports up to prewar levels are both most encouraging. Double and triple cropping is meeting with good results. Experiments in growing jute, peanuts, sugar cane, pulses and feed crops have been meeting with success.

Mechanical Extraction of Teak

Some $690 thousand of the U.S. loan has been approved to import equipment to be used by the State Timber Board in its drive to increase the extraction of teak. Two mechanized teak-extraction units—consisting of a combination of crawler tractors, graders, loaders, trucks and auxiliary equipment, including power chain saws—will operate in conjunction with a number of elephants, which are indispensable to the Burmese teak industry. Plans call for the placement of one of these units in early 1958 and the second in September.

Expansion of teak production occupies a significant place in Burma's Four Year Plan. Experimentation in mechanized teak extraction has met with notable success in the past two years and the State Timber Board's plan to extend it is a direct result of the successful operations so far carried out.

Canadian firms have been advised of the initial tenders for equipment and already some have begun to supply power chain saws. If these prove useful, it will lead to more business. Requests for tenders, specifications and all pertinent data will be sent to Canadian firms as they become available. ●

Malaya

Policy on imports of dollar products into new Federation not yet laid down, but capital goods for industry receive preferred treatment. Canadian sales dropped about 12 per cent in 1957 but outlook seems good, though competition is stiff.

M. P. CARSON, *Trade Commissioner, Singapore.*

ON August 31, 1957, the Federation of Malaya became an independent sovereign nation and a member of the Commonwealth. The ceremonies connected with the handing over of British control were carried out with a quiet dignity and in the knowledge that the Malayan economy was in a better condition than that of most Asian nations. But the new nation was not without problems as it embarked upon self-government. A large part of its budget is spent on the continuing war against the Communist terrorists—a war which has gone on relentlessly since 1948. Federal ordinary expenditure for 1958 is budgeted at M$902.6 million (C$300.9 million) and of this, the Ministry of Defence and Internal Security will receive M$234.2 million (C$78.1 million) with M$126.2 million (C$42.1 million) shown as direct emergency expenditure.

A number of countries have approached the Federation in the hope of obtaining closer trade links with the independent Malaya. An Australian mission came to Kuala Lumpur early in 1958 for preliminary negotiations towards a trade agreement. In a recent press interview, the Malayan Minister for Commerce and Industry proposed the establishment of a Trade Policy and Negotiations Advisory Committee, to examine the results of the research his Ministry is undertaking.

Policy on Dollar Imports

In the same interview he said that the Federation, in keeping with her sovereign status, has assumed complete control over the expenditure of hard currency for imports from the dollar area. The problems and implications of this are being examined and until a clear-cut policy has been formulated, an ad hoc one is being followed and individual cases judged on their merits. In general, the idea is to relax slightly controls over the import of capital goods required for the maintenance, development and expansion of new and existing industries. It was pointed out, however, that the previous policy of restraining expenditure of hard currency on consumer and certain less essential goods will be continued. At the opening of the Legislative Assembly in September 1957, the

Head of State said that Malaya will remain in the sterling area but with "full recognition of freedom to determine import policies appropriate to the needs of the country in the light of the scale of its hard currency earnings."

Rubber Shipments Rise

Malaya's prosperity still depends largely on rubber and tin, and the trend in prices and exports is always closely watched. Rubber prices on the average over similar ten-month periods in 1956 and 1957 were M$0.9718 and M$0.9053 per pound and although exports were up, total returns were down in 1957. Rubber exports (ocean shipments) of all grades for all of 1957, at 1,002.2 thousand long tons, were up slightly from the 983.3 thousand long tons of 1956; this was the first year since 1951 that they topped the million-ton mark. Shipments to principal markets were:

Country	*1956*	*1957*	*Increase or Decrease*
	000's of long tons		*1957 over 1956*
Canada	34.6	31.7	− 2.9
United Kingdom	232.4	205.6	−26.8
United States	155.2	147.8	− 7.4
Japan	74.5	108.5	+34.0
West Germany	81.7	69.7	−12.0
France	72.2	65.4	− 6.8
China	8.7	31.4	+22.7
Russia	12.8	15.0	+ 2.2

Tin Outlook Is Gloomy

Malayan tin exports in 1957 totalled 70,064 long tons, the lowest for the past three years and 3,210 tons less than in 1956. During the year, tin exports to the United States dropped 12 per cent to 36,116 tons and shipments to European countries declined approximately 47 per cent. Exports to the United Kingdom were off 87 per cent in the first eight months of 1957 but the bullish effect of buffer stock buying pushed them up to 6,532 tons for the year. However, 73.8 per cent of the total was recorded in November and December when 4,820 tons went to Britain. Under the International Tin Agreement, the manager of the buffer stock in London must buy when the price of tin falls below £730.0.0 per long ton and as prices fell throughout 1957, he purchased from Malaya for shipment to and stocking in London.

The outlook for tin is gloomy and the International Tin Council has called up the third Malayan contribution to the buffer stock. Malaya had already contributed M$41.8 million (C$13.9 million) and the third contribution totalled M$11.7 million more. Funds paid to the buffer stock have to be repaid by a levy on production but many producers already feel the pinch and marginal mines may well be forced to close in 1958.

Malayan imports in the first ten months of 1957 rose about M$283.4 million (C$94.5 million) over the same period of 1956. Among the foreign suppliers which benefited from this rise were the United Kingdom, with imports into Malaya up about 5 per cent or C$10 million; Mainland China, about 4 per cent or C$9 million; Thailand, about 6.5 per cent or C$13.3 million; Indonesia, about 10 per cent or C$31 million; Australia, about 6.5 per cent or C$7 million; and West Germany, 14.3 per cent or C$3.7 million.

How Did Canada Fare?

A survey of Canadian exports to Malaya and Singapore in the first ten months of 1957 reveals a drop of almost C$500 thousand compared with the similar period of 1956—or C$2.8 million worth compared with C$3.3 million in 1956. Malayan import statistics (based on C.I.F. values) show more trade than the Canadian figures which, although they are on an F.O.B. basis, perhaps do not include exports to Singapore and Malaya via Hong Kong (M$5.2 million or C$1.7 million in the first ten months of 1957). As a matter of interest, Malayan statistics show imports from Canada for the ten months at M$14.3 million (approx. C$4.78 million) compared with M$16.4 million (approx. C$5.47 million) in 1956. (These totals combine Malayan and Singapore imports from Canada.) Other dollar countries had the same experience. United States exports to this area in the comparable ten-month period fell from approximately C$53.2 million in 1956 to about C$46.2 million in 1957, or 13.1 per cent, compared with 12.4 per cent for Canada.

The major Canadian exports which lost ground were: wheat flour (down C$500 thousand), automobiles (down C$185 thousand), gas engines and parts (down C$317 thousand), automotive parts (down C$48 thousand), asbestos fibre (down C$61 thousand), and canned salmon (down C$25 thousand). There were substantial gains in newsprint (up C$46.5 thousand); synthetic resin manufactures (up C$23 thousand); files and rasps (up C$128 thousand); synthetic fibres (up C$9 thousand); drugs and chemicals (up C$16 thousand), and Douglas fir planks (up C$13 thousand).

The following paragraphs give details about some of our main exports to Malaya:

• *Flour*—Singapore continues to be one of the best foreign markets for Canadian flour. In the first ten months of 1956, our flour sales reached 8,154 tons but from January to October 1957 they fell to 6,471 tons. At the same time, total wheat flour imports into Singapore fell from 134 thousand tons in ten months of 1956 to 115 thousand in ten months of

—U.K. Information Office

Stevedores at Port Swettenham, sea outlet for Kuala Lumpur, are loading bales of rubber. Improvements to ports in Malaya may soon divert a significant amount of trade from Singapore.

1957. The United States, although its prices for high-protein flour were advantageous earlier in 1957, only stepped up its exports from 649 to 911 tons. French sales fell from 19,000 tons in the ten months of 1956 to only 8,000 in 1957. Australia, the main supplier of soft wheat flour, saw her sales slip from 101 thousand tons in the same period of 1956 to 90,000 in 1957. At the beginning of 1958, prospects for Canadian flour had brightened and more interest in it was developing.

• *Asbestos*—Canadian chrysotile fibre has an excellent reputation with local manufacturers because of its consistent quality, its value in the production of asbestos cement products, and the regularity of shipment. The falling-off in our sales from 1,025 tons in the first ten months of 1956 to 857 in 1957 can be traced to larger purchases from South Africa and Southern Rhodesia. South Africa, for example, boosted its sales to 806 tons, or by 100 per cent over 1956. Canadian exporters will have to face more severe competition in the future, mainly from these two countries.

• *Automobiles and Parts*—From January to October 1956, Canada shipped 429 automobiles to Malaya, but in the same period of 1957, only 292. Malayans often compare the sales of automobiles with the prices of rubber and tin. Rubber prices were down in 1957 and tin prices also fell. Another factor was the increased import duties and registration fees on automobiles announced in November 1956. The registration fee was boosted to 10 per cent ad valorem of the C.I.F. value at port of entry for Commonwealth-made vehicles.

• *Apples*—British Columbia apples have a small but good market in this area but in ten months of 1957, sales dropped to 306 tons from 784 in 1956. One reason was the increase in the specific duty on apples from six to eight cents a pound. Chinese apples captured a major share of the market with 1,299 tons compared with only 93 tons in 1956, and this competition was difficult to overcome. Canadian apples sell in Singapore at about ten Canadian cents each; Chinese apples are much cheaper and have a price appeal for the mass market. U.S. sales in January-October 1957 reached 256 tons, compared with 331 tons in 1956.

Other Duties Up

Among the other Canadian products affected by the increase in duties were canned salmon, down by 500 cwt. in 1957, partly because it was removed from the free list and a 7½ per cent duty imposed. Canned vegetables, also on the free list, became dutiable at 10 per cent. The duty on a wide range of household electrical appliances rose from 10 to 15 per cent ad valorem and a catch-all clause was inserted to include many appliances previously free and now subject to a 15 per cent duty.

Where Trade Increased

The brighter side of the Canadian export picture was shown by sales of the following commodities:

• *Newsprint*—Sales rose from 10,529 cwt. in ten months of 1956 to 15,676 cwt. in 1957, mainly because of a long-term Canadian contract with a leading newspaper publisher.

• *Files and Rasps*—Canada became the leading supplier, with sales in ten months of 1957 reaching C$128 thousand (no sales in 1956).

• *Drugs and Chemicals*—Shipments rose from C$68,000 in ten months of 1956 to C$94,000 in 1957.

• *Synthetic Resin Manufactures*—Sales up 50 per cent —from C$42,000 in 1956 to C$65,000 in 1957.

• *Synthetic Fibre Manufactures*—Sales rose to C$29,000 from C$20,000 in 1956.

A large number of Canadian goods came into Malaya in small but increasing amounts or for the first time in 1957, such as canvas duck, printing inks, synthetic rubber for the shoe industry, Douglas fir planks, saws, lawn-mowers, baby carriages and aluminum mouldings.

ingapore and Malaya offer a market of some 7.9 iillion people, many with a comparatively low stand-rd of living. In addition, Singapore resells to all eighbouring countries, and this increases the market otential well above the 7.9 million population of he two areas. Local firms are always interested in wide variety of consumer goods, building materials, lectrical appliances, etc., which are competitively riced and which will appeal to South East Asians. trong competition can be expected from the United ingdom, the United States, Germany, Japan and Iong Kong.

Interested exporters should send full details to the Singapore office, complete with C.I.F. prices in Canadian or U.S. dollars, pamphlets, catalogues, etc. This is important because Malaya and Singapore firms are inundated with prices from many exporting nations and an F.O.B. offer invariably is put aside in favour of an inquirer who has taken the trouble to quote landed costs.

The outlook for imports into this area in 1958 is reasonably good, and demand for most consumer and capital goods is expected to be sustained. •

Singapore

Ialayan independence has posed some problems or Singapore and may raise others in the future.

I. P. CARSON, *Trade Commissioner, Singapore.*

'HE recent emergence of the Federation of Malaya s an independent sovereign nation may change the conomic connections between it and Singapore and iese changes may in the future affect the pattern of anadian trade to the area. Singapore has been xcluded from the Malayan Federation and political onsiderations are likely to prevent an early merger.

ntrepôt trading services are the current source of ie major part of Singapore's revenue but Malaya, artly to decrease its dependence on Singapore, is nproving its own port facilities at Port Swettenham nd Penang. The general manager of the Malayan ailway, which administers the main Malayan ports, n a recent press conference forecast that the Can.$10 iillion project for development of the North Klang traits would make Port Swettenham one of the best arbours east of Suez. This project may be completed y 1960.

ingapore needs industry. A high percentage of its 1.3 iillion population is under 21 years of age and mployment problems are becoming serious. But idustrialists who consider the island as a prospect for apital investment find the lack of tariff protection n obstacle. However, it is generally recognized here iat tariffs could not be imposed without harming the ntrepôt trade.

ince the Federation imposed higher duties in November 1956, Singapore manufacturers have complained of the disastrous effect these tariffs have had on several of the Colony's products, including soap, biscuits, sauces, polishes, foam latex mattresses and lumber products. Already some industries have established manufacturing operations in the Federation to overcome the higher tariffs.

Singapore has made many representations to the Malayan Government for relaxation of tariff restrictions on goods manufactured in the Colony which find a natural market in the Federation. The Singapore Government continues to encourage inter-governmental co-operation so that the smooth movement of goods between the two countries will not be further impeded.

Canadian Trade

Canada's trade with Malaya is carried out via Singapore, as the following table demonstrates:

	Jan.-Oct. 1957	*Jan.-Oct. 1956*
	(in millions of dollars)	
Singapore/Malaya exports to Canada	M$68.0 (C$22.7)	M$72.4 (C$24.1)
Singapore/Malaya imports from Canada	M$14.3 (C$ 4.8)	M$16.4 (C$ 5.5)
Singapore exports to Canada	M$39.2 (C$13.1)	M$39.5 (C$13.2)
Singapore imports from Canada	M$11.7 (C$ 3.9)	M$13.7 (C$ 4.6)
Malayan exports to Canada	M$28.9 (C$ 9.6)	M$32.9 (C$10.9)
Malayan imports from Canada	M$ 2.7 (C$ 0.9)	M$ 2.7 (C$ 0.9)

Canadian exports to Malaya are received principally in Singapore. It is expected that this will continue until the major shipping lines begin calling regularly at the improved ports in the Federation. In future

years the Malayan market of 6.5 million people may receive more direct shipments from overseas.

Central Bank Mooted

In anticipation of self-government in Malaya and Singapore, a committee was set up in 1955 to advise on the establishment of a central banking system. At present the currency for Singapore, Malaya and British Borneo, backed 100 per cent by sterling reserves in London, is administered by the Board of Currency Commissioners. As a result of the committee's recon mendations an experienced Australian central bank is advising the Federation Government on the estal lishment of a central banking organization. A joi Singapore/Malaya bank will not necessarily result an there are some indications that Malaya may insist o proceeding alone in this venture. If Malaya does decid on a separate central bank and currency, econom relations between the two territories will be seriousl affected. ●

British Borneo

Three small countries in this area bought about $71,000 worth of Canadian goods in the first three quarters of 1957, with outboard motors in the lead. Singapore agents normally cover this market.

M. P. CARSON, *Trade Commissioner, Singapore.*

SARAWAK

THIS small country with a population of 634 thousand makes a living largely from the production and export of rubber, white and black pepper (for which it is world renowned), and sago flour. Two-thirds of its people are engaged in agriculture, (largely subsistence farming), and there is practically no industry. Its prosperity thus depends to a large degree on the prices of the commodities it sells abroad. When these prices fall, the national income drops and the pattern of revenue and expenditure changes.

For the first eleven months of 1957, exports of sago flour remained about the same as in 1956, rubber exports declined slightly, and pepper exports dropped sharply. The following table illustrates this:

EXPORTS FROM SARAWAK

(in long tons)

	Jan.-Nov. 1957	*Jan.-Nov. 1956*
Rubber	36,845	38,158
Sago flour	11,535	11,536
White pepper	2,163	2,558
Black pepper	10,890	16,299

None the less, Sarawak achieved a favourable balance of trade in the first ten months of 1957. Imports totalled M$387.9 million (C$129.3 million), compared with M$384.5 million (C$128.1 million) i the similar period of 1956 and exports reache M$420.3 million (C$140.1 million), as agains M$407.6 million (C$135.9 million) in 1956. Th trade surplus totalled about C$10.8 million.

Development Plan Proceeding

The estimate of funds needed for the Developmen Plan for 1955-60 was raised to M$136 million (C$45 million) during 1957. The diversification of the economy is being attempted but agriculture will continue to provide most of Sarawak's export earnings. Rubber still is and will always be the major money-earner and C$2.1 million will be spent by 1960 for developing this industry further. Assistance to small holders in replanting and in opening new land is a major part of this program.

One of the major problems is transportation. Road construction, building of minor airfields, the development of port facilities in Kuching (the country's capital), education and medical services, land reclamation and the construction of dwellings and government buildings received maximum attention and made some progress in 1957.

Bauxite Extraction Begun

Canadian capital, combined with Swiss and Japanese, completed arrangements during the year to mine good-grade bauxite in Sarawak. Initial production of 500 tons of ore a day for shipment to Japan will start in April. Proved ore reserves total 2.5 million tons and there are other small deposits nearby; this new industry should therefore prove a welcome source of foreign exchange for many years to come.

NORTH BORNEO

NORTH Borneo, with its population of 390 thousand, did not fare as well as neighbouring Sarawak in its trade for the first ten months of 1957. The favourable trade balance of M$480 thousand (C$160 thousand) in the ten months January to October was considerably smaller than the M$3.3 million (C$1.1 million) reported in the same period of 1956. Total exports were just slightly larger than in the same period of 1956 and were valued at M$99.6 million (C$33.2 million).

Rubber continued to be the major source of foreign exchange and provided about 30 per cent of total exports, although the ten-month figures were down from the M$32.8 million (C$10.9 million) in 1956 to M$31.1 million (C$10.3 million) in 1957, as a result of lower average rubber prices.

Timber exports came second as a source of foreign exchange earnings and increased appreciably. Exports valued at M$24.7 million (C$8.2 million) were M$2.5 million (C$0.8 million) up from 1956. Copra exports were next in line, with a slight increase of M$0.5 million over 1956 to M$19.9 million (C$6.6 million) in 1957. Hemp, cutch and tobacco exports earned M$2.8 million, M$1.2 million and M$2.6 million respectively.

The girl on the ladder is beginning to harvest the berries on a staked-up pepper vine in Sarawak. Pepper accounted for over 20 per cent of total exports in the first ten months of 1957.

Direct Imports Allowed

As from October 1, 1957, direct imports of dollar goods are permitted entry against specific licences issued by the Commissioner of Trade and Customs. Licences are issued against a quota which the Commissioner maintains and each application is considered on its merits. Goods essential to the development of the Colony receive preference.

Looking to the Future

North Borneo continues to be hampered by a lack of transportation facilities and the extension of the Colony's road system, improvement of wharf and harbour facilities, and improved telecommunications (including a V.H.F. radio telephone system) received attention in 1957.

Cocoa is being introduced in experimental stations in parts of North Borneo which have rich volcanic soils. Results so far have been encouraging and present indications are that a commercial crop may be expected in 1960. This is in line with the Government's policy of diversifying production in the Colony as much as possible.

BRUNEI

THE Sultanate of Brunei with its population of 60,000 continues to be the envy of its neighbours. Well endowed with oil (output about 114 thousand barrels per day), Brunei draws almost 75 per cent of its revenue from oil receipts and is in the rather unusual position of earning more than it spends.

It is gradually inaugurating more welfare services. Everyone over the age of 60 receives a pension and primary schooling is free. The large revenues from oil, which accounts for 94 per cent of the Sultanate's export trade, provide large sums to be invested abroad as a guarantee of the continuation of social services when oil resources are depleted.

Trade and commerce is mainly in the hands of leading European firms who are invariably associated with their Singapore counterparts. The number of Chinese merchants holding agencies is increasing, although the majority prefer to deal in the wholesale and retail distribution of goods purchased from merchants in Singapore. The oil company is the largest single buyer

of capital equipment in this small country. Machinery, transport equipment, building materials, food products and manufactured consumer goods are the principal imports into Brunei.

Canadian Position in British Borneo

Canadian export statistics include shipments to the Borneo territories under the "Malaya and Singapore" classification because no goods arrive directly from Canada. However, a look at the North Borneo figures indicates a falling-off in imports from Canada in the first nine months of 1957 to M$214.8 thousand (C$71.6 thousand) from M$298.4 thousand (C$99.5 thousand) in the same period of 1956.

North Borneo's exports to Canada, on the other hand, increased appreciably—from M$149.9 thousand (C$50.0 thousand) in nine months of 1956 to M$241.3 thousand (C$80.4 thousand) in 1957. North Borneo's imports from Canada consisted chiefly of machinery and transportation equipment (mainly outboard motors), followed by canned goods and various prepared food products.

Sarawak figures for 1957 are not yet available in full but Canadian exports are expected to be down slightly from the M$953.8 thousand (C$317.9 thousand) of 1956. The major purchases from Canada are outboard motors, road transport equipment, some industrial machinery, and canned goods. Outboard motors provide the major means of transportation because Sarawak still has few roads.

Canadian exporters will find that agency arrangements in Singapore usually take care of the needs of North Borneo, Sarawak and Brunei, either through resident branches in the principal centers or through associated agents. There is still no great demand or need for direct representation. Canadian exporters should make sure that agencies appointed in Singapore are able to cover this small market with its total population of slightly more than one million. ●

Philippines

Depleted foreign exchange reserves have brought tight import restrictions and smaller dollar allocations; these will affect Canadian sales in 1958. Pattern of trade shows Japanese share growing as United States sales decline.

H. L. E. PRIESTMAN, *Consul-General of Canada and Trade Commissioner, Manila.*

THE Philippines will remember 1957 not only as an election year but also as one of growing economic difficulties. Dollar reserves declined steadily to dangerous levels. The latest available figure—December 27, 1957—was $140 million, compared with $225 million at the end of 1956 and $260 million when exchange controls were introduced in 1949. Actually reserves are much lower because the figure given includes proceeds of short-term loans from private U.S. banks, obligations for barter exports, and other early maturing commitments. Indeed, the Central Bank's reserves totalled only $71 million and the dollars held by other banks $69 million.

Imports have reached a record figure without any corresponding growth in exports. During the first nine months of 1957 a 26 per cent rise in imports caused a deficit in the balance of trade of $147 million, although the balance-of-payments deficit was only $40.6 million for the same period because of large U.S. Government expenditures. The Central Bank of the Philippines exceeded its dollar budget by more than $60 million during 1957. Some of this overspending resulted from the program of industrialization and some from pressures inherent in a presidential election year.

Rice Imports Cut into Reserves

The crux of the difficult economic situation—apart from over-spending of foreign exchange on increased imports at a time when exports were static—is the low productivity in agriculture, especially rice. In general, Filipinos reap one meagre crop of rice when neighbouring countries get two and three crops a year with higher yields. Consequently, rice has to be imported in large quantities each year by a country with an over-abundant labour supply, adequate agricultural areas, and normally satisfactory growing conditions. Remedies are being adopted slowly, but it is unfortunate that there are semi-drought conditions this

season in some areas, and 120 thousand tons of imported rice will be needed to get by in 1958.

The deterioration in foreign exchange reserves could not be allowed to continue indefinitely and the Central Bank imposed further controls at the end of the year. Briefly, these restrictions included:

- A complete ban on the import of non-essential consumer goods.

- Large cash deposits when a letter of credit to import is opened. These deposits are: for semi-essential consumer and non-essential producer goods, 200 per cent; for essential consumer and essential and semi-essential producer goods, 100 per cent; for essential raw materials for industry, 50 per cent.

Because the commercial banks must turn these deposits over to the Central Bank upon receipt, the new controls have taken much money out of circulation and will depress Philippine business activity generally. In addition, the length of time that a consignment is in transit has become extremely important to the Philippine importer. The short sailing time from Japan to the Philippines gives that country an advantage, but Canada is still in a better position than Europe.

Dollar Allocations Reduced

A further strong curb on imports is the large reduction in 1958 dollar allocations for importers and producers. The quotas on all consumer goods have been cut by 52 per cent so that quota holders may receive only 12 per cent of their previous annual dollar allocation during the first quarter of 1958. Similarly, allocations for producer goods have been cut by 28 per cent so that quota holders may only use 18 per cent of their previous allocations during the first three months of 1958. It is possible, but not probable, that the Central Bank of the Philippines will increase these quotas during the remaining quarters of 1958. (For further details about these cuts, see "Trade and Tariff Regulations" on page 32.)

Trade Patterns Changing

When the Philippines achieved independence from the United States in 1946 the two countries agreed to end free trade between them. This was to be done by stages over 28 years and currently goods entering the Philippines from the U.S. pay 25 per cent of the regular duties. This rises to 50 per cent at the end of 1958.

As was expected, the American share of Filipino trade has declined since 1946 and that of other countries has increased. In 1950, 77 per cent of Philippine imports came from the United States; in 1957, only about 56 per cent. Similarly, the proportion of Philippine exports to the U.S. has declined.

Although this reduction in preference for U.S. goods will eventually mean more opportunities for Canadian suppliers, it is South East Asia—and Japan in particular—that aspires to and probably will replace the dominating influence of the United States in Philippine trade. Already Japan is second to the U.S. as a market for Philippine products.

Japanese Reparations

Japan and the Philippines concluded a Reparations Agreement in 1956 by which, briefly, Japan pays the Philippines in goods, services and cash totalling $25 million a year for ten years, and then $30 million a year for the succeeding ten years. The Japanese Government is also supposed to facilitate the extension of long-term, non-government development loans to Philippine companies in the amount of $250 million, on terms more liberal than those obtainable outside the agreement.

Payments under the first year of reparations went entirely to Philippine government organizations, primarily the Department of Public Works and the Manila Railroad Company. Salvage of sunken vessels and cement were large items during the first year. During the second year, the reparations consisted mainly of two cement plants, knitting plants, training planes for the Philippine Air Force, and fish-canning and cargo ships.

Although these reparations goods are not competing directly with Canadian products in the Philippines, they will have a long-term effect. The Japanese are able to use the reparations payments to further their economic penetration and to strengthen the trade ties between the two countries.

New Tariff in Effect

A new and completely revised Philippine Tariff Code came into effect in July 1957, replacing the outdated Tariff Act of 1909. The new code was designed to increase government revenue and to protect and encourage local industries. Generally, the duties on non-essentials and goods manufactured locally are very high; on essentials, producer's raw materials, and machinery they are about 10 per cent of the C.I.F. value.

Flour was the Canadian product hardest hit by the new code, because the duty was raised from US$0.47 per 100 kilos to US$1.25.

Prospects for Canadian Traders

The prospects for introducing new Canadian products to the Philippines in 1958 are poor and existing Canadian suppliers may have difficulty in keeping up their sales volume. Although most of the Canadian products

being sold to the Philippines are considered essential, cash deposit requirements, reduced allocations and generally depressed business conditions are bound to affect them.

Because imports of flour and canned fish do not require a specific dollar allocation, they will not be affected by the reduced quotas. But the Central Bank can change this at will by tightening the administrative procedures.

Canadian newsprint sales to the Philippines will suffer because the import quotas of all publishers have been reduced by 28 per cent. There is a remote possibility that the publishers' petition for increased quotas will be successful.

The possibilities for selling Canadian products to tax-free industries in the Philippines were covered in an article in the February 14, 1957, issue of *Foreign Trade*. These opportunities still exist but again, all the manufacturers have had their dollar allocations cut by 28 per cent. The establishment of new industries in the coming year should be limited; frozen profit remittances, changing government policies, and the increased controls and restrictions do not invite investment.

In summary, the coming year may be a difficult one for Philippine importers and the companies they represent. It will continue difficult until the steps being taken to conserve the strength of the economy produce a better trading atmosphere. ●

Indonesia

Fall in foreign exchange reserves, shipping difficulties and drop in exports make Indonesia a difficult market at the moment. Canadians may be able to sell small quantities of goods already familiar to Indonesians, but sales should be made under irrevocable letters of credit.

J. E. LANCASTER, *Commercial Secretary, Djakarta.*

BECAUSE of the fluid economic and political situation* it is impossible as these words are written to assess with any certainty the business and economic prospects in Indonesia. The country's political problems have certainly had adverse effects on the economy. Internal divisions have led the outer islands—on which the Republic depends for a large percentage of its foreign exchange income—to initiate barter transactions with the outside world. This step has resulted in a decline in customs and other revenues and a diminution in foreign exchange reaching the Central Government. These circumstances, and the general fall in world prices for raw materials, have combined to weaken the country and to place it in a serious financial position.

In spite of these difficulties, over-all exports (including barter) have been more or less maintained. The latest figures (December 1957) indicate, however, that exports—outside of oil, bauxite and tin, all important foreign exchange earners and produced in the outer regions—are down, taking the year as a whole. Shipping difficulties have loomed large with the increasing turn-around time in Indonesian ports. Hull and cargo insurance rates to Indonesian waters have been increased. The inter-island flow of business and commodities has stagnated with the cutting down in inter-island shipping and air services resulting directly from the political situation.

There are few if any new imports being introduced into the market outside of some commodities, including rice and certain other essentials, purchased for government account. Most other imports are coming in as a result of old contracts. There is a noticeable shortage of many commodities, including spare parts for automotive vehicles which are needed for maintaining internal distribution services.

Price of Export Certificates Rises

All imports, whether for government account or not, must be financed through the purchase by the importer of export certificates, known as "B.E.'s". The trading value of these certificates has been rising during the past few weeks primarily because of demand for them created by government purchasing of large quantities of rice abroad. The market price of these during the second week of January fluctuated between 250-

**This report was forwarded to us the latter part of January and because of unsettled conditions in Indonesia, the situation as the writer describes it may have changed—Editor.*

260 per cent of their nominal value, compared with an average of 237 per cent since the introduction of the B.E. system on June 20, 1957. This pushes up the cost of imported goods. When customs duties and import surcharges (T.P.I.'s), which are calculated on the cost of the B.E., are added, the prices for even imported necessities go up sharply.

Credit Position

Any discussion on business and trading prospects must include the country's credit situation. Indonesia's current credit position is not satisfactory. Gold and convertible foreign exchange holdings have fallen somewhat and currency in circulation and advances to the Government have gone up considerably. As of January 8, 1958, the latest date available, the gold coverage of currency was the lowest on record at 11.46 per cent. In addition, foreign claims and charges stemming from loans and trade credits repayable suggest that Indonesia's gold and convertible foreign exchange supply may be reduced to a very low level. To bolster the day-to-day trading position the Bank of Indonesia (which functions as the Central Bank) at the time of writing is supporting the foreign exchange banks to maintain cover up to 100 per cent of their foreign commitments against documentary letters of credit. However, there is some doubt as to whether this support will be maintained.

Factors Influencing the Future

The following factors will have a bearing on future development of the Indonesian economy:

(*a*) The domestic situation. This depends upon the ending of the divisive policies of the various regions and the termination of regional barter trade. Steps in this direction have been taken by an ordinance of the Central Government dated January 8, 1958, banning all regional barter trade with the outside world.

(*b*) Sizable international loans and other credit assistance.

(*c*) A rise in world prices for Indonesia's exports of raw materials, including rubber.

Both (*b*) and (*c*), it will be noted, depend on circumstances that are outside the control of the Indonesian Government and people.

Trade with Canada

From the foregoing, Canadian businessmen looking to this market will infer that goods already introduced may continue to be sold in small-quantity lots from time to time. Agency prospects are doubtful until the situation clears. By a recent Indonesian Government decree, Dutch trading houses (which used to dominate the international trade picture) are not permitted to conduct import trade with Indonesia nor to handle exports of Indonesian goods other than palm oil, tobacco and tea. Importing and distributing firms in general are not interested at present in arranging long-term commitments nor in introducing new lines unless they can realize a ready turnover and quick profit. Few if any of them are in a position to stockpile because of deflationary banking credit restrictions. Any Canadian sales should be completed on the basis of irrevocable letters of credit. In certain circumstances, it might be advisable to have these credits confirmed.

You May Be Interested . . .

. . . in learning more about the sales approach to Far Eastern markets and special features of trading there, as explained in the following reports published earlier in *Foreign Trade*.

U.K. Simplifies Tariff Classification

On January 1, 1959, Britain will introduce a new tariff schedule, revising and consolidating existing legislation and adopting the Brussels nomenclature. This should mean savings in paperwork for importers and others.

F. R. PETRIE, *International Trade Relations Branch.*

THE United Kingdom is bringing all its complicated tariff legislation together in one instrument, to simplify the tariff structure. Sir David Eccles, President of the Board of Trade, recently said of the proposed revision:

". . . We should have the great advantage of a tariff set out in a form which our own business people and those with whom they trade would understand. Only those who have to thread their way through the jungle of our present legislation know what the difficulties can be that we now propose to remove."

Import Duties Bill Passed

Existing legislation relating to protective duties consists of six principal Acts and some 70 amendments. Under the current law it is possible for an imported product to be liable for revenue duty, Ottawa duty and Key Industry Duty, in addition to duty under the Import Duties Act, 1932. An Import Duties Bill to revise and codify this existing legislation and replace it by a single measure rewritten in an international nomenclature form was passed by the House of Commons on February 5. The proposed date for the introduction of the new tariff schedule is January 1, 1959.

The new measure will mean neither a more liberal nor a more protectionist tariff than in the last decade. It is not intended to alter existing rates of duty—except possibly in a few marginal cases to simplify administration—nor is any change in the policy of granting preference to Commonwealth goods implied.

Brussels Nomenclature Adopted

Under the new enactment, the Treasury is empowered to rewrite the tariff in a form known as the "Brussels Nomenclature". This form resulted from a Convention signed in Brussels in 1950 by a number of European countries, including the United Kingdom. The new classification was intended to provide a framework for the establishment of uniformity among the customs tariffs of the world, and to introduce a language for describing and declaring goods on customs documents that traders would easily understand.

The nomenclature provides a systematic classification for all the goods in international trade. Each article is classified in the nomenclature in one place and one place only. The goods are divided into sections and chapters and are arranged in sequence, beginning with animal and vegetable products and proceeding through raw materials to semi-manufactured and manufactured goods classified according to the main substance of which they are made or according to descriptive trade groups. Each country using the nomenclature inserts its own appropriate rate of duty against the nomenclature heading. If necessary, the country may introduce subheadings to provide for different rates of duty on goods classified within the headings.

Practical Advantages Expected

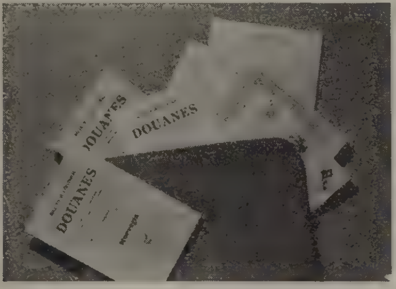
The advantages claimed for the Brussels nomenclature are uniformity, relative simplicity, and the high degree of certainty among the business community that ambiguous duties or concealed administrative obstacles to trade are kept to a minimum. Tariffs based on the nomenclature have been brought into force in a number of countries, including France, West Germany, Brazil and the Philippines, and will shortly be in use in various other countries, including Cuba, Iran, Italy and Switzerland, as well as the United Kingdom.

The United Kingdom anticipates many practical advantages from adopting the Brussels nomenclature. It is expected that the systematic headings will enable the importer to find readily the appropriate classification and the duty payable on his goods. He can then be satisfied that the goods are not chargeable under any other heading.

Will Save Paperwork

Another advantage, say the British, is that the nomenclature provides a systematic classification necessary for import statistics. The classification for duty purposes at the present time differs from that used

for statistical purposes. For duty purposes, the importer must enter the trade description and also the relative tariff description and heading; for statistical purposes, he must give the heading under which the goods fall in the published import list. When the new nomenclature is introduced, the importer will not have to consult the import list in addition to the tariff. Because almost two million import entries are submitted every year, it is expected that importers and others will achieve a considerable saving in paperwork under the new system.



Trade and Tariff Regulations

Argentina

CUSTOMS REGULATIONS—As of January 2, 1958, importers of all goods entering Argentina are required in initiating Customs clearance to furnish proof by means of a Central Bank Certificate that a prior deposit in pesos has been made covering: (i) 20 per cent of the F.O.B. value of imports entering at the official exchange rate, and (ii) 100 per cent of the F.O.B. value of imports entering at the free market rate.

Cuba

TARIFF REVISION AND IMPORT CONTROLS—Decrees promulgated by Cuba on January 28 contain general provisions of the Cuban tariff revision and temporary import control system to be applied on February 24. As far as Canadian exporters are concerned these measures involve no immediate change in the Cuban tariff on imports from Canada. However, effective February 24, imports into Cuba, with certain exceptions, are subject to a general import control system.

Details may be obtained from the International Trade Relations Branch.

Indonesia

IMPORTS BY NETHERLANDS INTERESTS TO BE PROHIBITED—The Monetary Council of the Indonesian Government announced on January 23 that imports of goods by, or through the intermediary of, a sole agency represented by a Netherlands enterprise or a Netherlands national will immediately be restricted as much as possible and will be prohibited at a date to be determined later. Should the sole agency already be in the hands of Indonesian-owned enterprises, this restriction and prohibition will not be applied.

It is understood that this provision will affect a number of agencies and other firms still doing business in Indonesia. It may also affect firms that have been turned into Indonesian natural entities legally, but which are still managed and controlled by Netherlands citizens—Djakarta, Feb. 3.

Italy

1956 GATT TARIFF CONCESSIONS—The concessions which Italy granted in the tariff negotiations that were held under the auspices of the General Agreement on Tariffs and Trade at Geneva in 1956 came into force on December 16, 1957, according to a notification which the Secretary General of the GATT received from the Italian Government on January 10. Following is a summary of concessions of principal interest to Canadian exporters, including those negotiated directly between Canada and Italy.

Italy eliminated the statutory duty of 8 per cent on salted cod, which has been admitted duty-free on a temporary basis. Similarly, the duty-free entry of chemical wood pulp was bound, from a previous statutory rate of 6 per cent. The 10 per cent duty on flaxseed and the 3 per cent duty on crude cobalt were eliminated. Reductions were granted on planks and boards of Douglas fir from 10 per cent to 6 per cent; on outboard motors from 35 per cent to 27 per cent and 25 per cent respectively, depending on their cylinder volume, and on fork-lift trucks from 35 per cent to 32 per cent.

Reductions in the level of the temporary duties were obtained on prepared moulding and drawing

powders of polystyrene and of similar plastics; on spades, shovels, hoes and similar tools; on calculating machines; on automatic electric toasters, and on burners operated by gas. The statutory duty on canned salmon was reduced from 25 per cent to 14 per cent. In addition, reductions were granted on certain iron and steel products imported from countries not belonging to the European Coal and Steel Community, including Canada, within an annual quota.

Copies of a list showing in somewhat more detail the principal concessions of interest to Canada granted by Italy may be obtained from the International Trade Relations Branch of the Department.

Philippines

DOLLAR ALLOCATIONS REDUCED—The Central Bank of the Philippines has announced its foreign exchange budget for the first quarter of 1958; as expected, there have been very large cuts. To date, the Central Bank has made these reductions by word-of-mouth, without releasing any memos to its agent banks. In this way its policy will be flexible and easily changed.

The new budget is as follows:

(1) Quotas on all consumer goods have been cut 52 per cent so that quota holders may receive only 12 per cent of their previous annual dollar allocations during the first quarter of 1958.

(2) Dollar allocations for producers' goods have been reduced 28 per cent so that quota holders may use only 18 per cent of their previous allocations during the first quarter of 1958. Newspaper publishers are considered as producers and have had their import quotas for newsprint reduced 28 per cent.

(3) These reductions are across the board, which means that the allocation for items classified as "essential producer" goods have the same reduction of 28 per cent as items classified as "non-essential producer". Similarly, quotas for "essential consumer" goods and "semi-essential consumer" goods have equal reductions of 52 per cent. The import of "non-essential consumer" goods continues to be banned.

Unlimited dollars are still theoretically available for the import of decontrolled items, which include flour and canned salmon. However, there is no certainty that the Central Bank will not change its policy and establish quotas for the import of items that are currently decontrolled. The Central Bank has made one move to increase its control on flour imports by requiring the commercial banks to send all applications for letters of credit for flour to the Central Bank for approval. Previously, the commercial banks could issue letters of credit for flour without reference to the Central Bank—Manila, Jan. 22.

Rhodesia and Nyasaland

TRADE AGREEMENT WITH CANADA—A trade agreement between Canada and the Federation of Rhodesia and Nyasaland was recently completed in Salisbury, Southern Rhodesia. The agreement became effective on February 7, 1958.

The trade agreement is intended to formalize Canada-Federation trade relations and to guarantee the continued general extension of concessions which existed before the establishment of the single tariff in the Federation.

Under the agreement, Canada will continue to extend British preferential tariff treatment to goods imported from the Federation. In return, the Federation will continue to accord to Canada the rates applicable to goods from the fully self-governing countries of the British Commonwealth, excluding the United Kingdom. In addition, a few special tariff concessions have been granted by the Federation to Canada on a small number of specified goods listed in the exchange of notes.

The Federation of Rhodesia and Nyasaland was established in 1953 from the three territories of Southern and Northern Rhodesia and Nyasaland. In 1955 a single tariff was created to replace the separate tariffs which had previously been in force in the constituent territories. The new tariff made provision for preferential tariff treatment of goods imported into the Federation from Canada, as the previous ones had done. At the same time Canada has been granting British preferential tariff rates to imports from the Federation.

Canadian exports to the Federation have grown from $1.6 million in 1950 to $3.9 million in 1954 and to $4.7 million in 1956 and continued to expand in 1957. During the first eleven months of 1957 Canada's exports to the Federation totalled $4.5 million as against $4.2 million in the corresponding period in 1956. Principal Canadian exports to the Federation are wheat, lumber, paper, mining machinery, motor vehicles and chemicals.

In 1956 imports from the Federation into Canada amounted to $720 thousand. During the first ten months of 1957, Canadian imports reached $1 million as against $528 thousand in the corresponding ten months of 1956. The principal products imported are minerals, including ferro-alloy, chrome ore and crude asbestos.

United States

FINE MESH WIRE CLOTH IMPORTS UNDER STUDY—The United States Tariff Commission has announced that a public hearing will be held on

May 20, 1958, to determine whether "gauze, fabric, or screen, made of wire composed of metal or alloy, not specially provided for, with meshes finer than 90 wires to the lineal inch in warp or filling, provided for in paragraph 318 of the Tariff Act of 1930" is, as a result in whole or in part of the duty or other customs treatment reflecting concessions granted thereon under the General Agreement on Tariffs and Trade, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products.

Interested parties desiring to appear and be heard at the hearing should notify the Secretary of the Tariff Commission in writing at least three days in advance of the hearing. His address is U.S. Tariff Commission, 8th and E Streets N.W., Washington, D.C.

QUOTA ON GROUNDFISH FILLETS—The United States Bureau of Customs has announced that for 1958 the import quantity of fresh or frozen fillets of cod, haddock, hake, pollock, cusk, and rosefish to be granted the reduced rate of $1\frac{7}{8}$ cents a pound under tariff paragraph 717(b) has been set at 35,892,221 pounds. This is 1,483,415 pounds lower than the 1957 low-rate quota.

Tariff paragraph 717(b) provides that the aggregate quantity entitled to the $1\frac{7}{8}$ cents a pound reduced rate shall be not more than 15 per cent of the average annual consumption of such fish during the three preceding calendar years. All imports above the quota are subject to the higher rate of $2\frac{1}{2}$ cents a pound.

Of the total quantity of fish (35,892,221 pounds) entitled to entry at the rate of $1\frac{7}{8}$ cents a pound during the calendar year 1958, not more than one-fourth shall be so entitled during the first three months, not more than one-half during the first six months, and not more than three-fourths during the first nine months of the year.

HEARINGS ON CHEMICALS TARIFF—In the last issue of *Foreign Trade* it was announced that the first stage in the revision of the United States Tariff had been reached and the first of eight schedules released. This schedule is concerned with the classification of Animal and Vegetable Products, and hearings were announced to be held in Washington on March 4.

The United States Tariff Commission has now released a copy of schedule 4 entitled "Chemicals and Related Products". Hearings on this schedule are to be held in Washington one week later, on March 11.

Peruvian Exchange Seeks New Level

THE Peruvian Government recently decided to discontinue its long-standing policy of supporting the rate of the national currency and to allow it to find its own market level.

Peru has for several years been able to achieve exchange stability. For the past three years the Central Bank has made it a policy to purchase excess dollar certificates, which correspond to income arising from exports, at the rate of soles 19 to the U.S. dollar and to sell exchange in times of shortage at the same price. This in effect helped to peg the rate at 19 soles to the dollar.

Heavy imports during 1957, a sharp increase in the Government's foreign exchange commitments, and a decline in prices for some of Peru's exports brought a drop in net gold and foreign exchange reserves from US$41.7 million at the start of 1957 to US$10.6 million in January 1958—an eight-year low. To slow down imports and check this drain, stringent credit restrictions were applied in October.

By January, however, it became apparent that without more severe trade and credit restrictions, it was unlikely that the rate could be held at soles 19 to the dollar. At this point the Central Bank announced its new policy of permitting the sol to achieve a level dictated by supply and demand. At the same time the Government warned that it would react to purely speculative or seasonal tendencies in the market.

The exchange certificate system used in conjunction with the pegged rate will continue in force. Exporters must still deliver their foreign exchange receipts to the Central Bank and receive exchange certificates in return. In addition to the certificate rate there will remain a free or draft dollar market on exchange coming in from sources other than exports.

The abrupt change in government policy paralyzed the exchange market temporarily but a limited market began to develop as the rate rose. It is felt locally that a level of approximately 21 to 22 soles to the dollar will be achieved and that the market will become active at that rate.

In line with this stabilization program, the International Monetary Fund recently announced a doubling of its standby arrangement with Peru from $12.5 to $25 million. Peru is also opening lines of credit for $17.5 million with U.S. private banks.

The following nominal quotations may prove useful in checking prices. Canadian traders should consult their banks before making any firm commitments.

Conversions into Canadian dollar equivalent and units of foreign currency per Canadian dollar have been made at cross rates with sterling or the United States dollar on the date shown.

Except when buying and selling rates are specified, the mid rates only are quoted. The buying rate is that at which banks purchase exchange from exporters. The selling rate is that at which banks sell exchange to importers.

When several rates are indicated, the rate applicable depends on the commodity traded. Information on the rate for any specific commodity may be obtained from the International Trade Relations Branch, Department of Trade and Commerce, Ottawa.

Rates used exclusively in non-merchandise trading are *not* included in the table.

For conversion to United States dollar equivalent multiply by 1.0240.

foreign exchange rates

Country	Unit	Type of Exchange	Can. dollar equivalent February 17	Units per Canadian dollar	Notes (see below)
Argentina	Peso	Official	.05425	18.43	(1)
		Free	.02630	38.02	
Austria	Schilling		.03756	26.62	
Australia	Pound		2.2010	.4543	
Belgium, Belgian Empire and Luxembourg	Franc		.01957	51.10	
Bolivia	Boliviano	Free	.0001128	8865.2	
British West Indies	Dollar		.5732	1.74	(2)
	Pound		2.75125	.3635	(3)
British Honduras	Dollar		.6378	1.57	
Brazil	Cruzeiro	General Category*	.008816	113.43	*Jan. 15 (4)
		Special Category	.003941	253.77	
		Official buying	.05320	18.80	
Burma	Kyat		.2051	4.88	
Ceylon	Rupee		.2063	4.85	
Chile	Peso	Free	.001440	694.44	(5)
Colombia	Peso	Certificate	.1597	6.26	
Costa Rica	Colon	Official	.1739	5.75	
		Controlled free	.1471	6.80	
Cuba	Peso		.9766	1.0240	tax 2%
Czechoslovakia	Koruna		.1356	7.37	
Denmark	Krone		.1414	7.07	
Dominican Republic	Peso		.9766	1.0240	
Ecuador	Sucre	Official	.06511	15.36	
		Free	.05955	16.79	
Egypt	Pound	Official	2.8043	.3566	(6)
El Salvador	Colon		.3906	2.56	
Fiji	Pound		2.4786	.4035	
Finland	Markka		.003052	327.65	
France, Monaco and North Africa	Franc		.002325	430.11	(7)
French colonies in Africa	Franc		.004650	215.05	(8)
French Pacific	Franc		.01279	78.19	(9)
Germany	D Mark		.2324	4.30	
Ghana	Pound		2.7513	.3635	
Greece	Drachma		.03255	30.72	
Guatemala	Quetzal		.9766	1.0240	
Haiti	Gourde		.1953	5.12	
Honduras	Lempira		.4883	2.05	
Hong Kong	Dollar	Free*	.1661	6.02	*Feb. 7
		Official	.1720	5.81	
Iceland	Krona	Official	.05996	16.68	(6)
India	Rupee		.2063	4.85	
Indonesia	Rupiah	Effective buying	.03995	25.03	*Jan. 31 (6)
		Effective selling	.03197	31.28	
Iran	Rial	Certificate	.01289	77.57	
Iraq	Dinar		2.7344	.3661	
Ireland	Pound		2.7513	.3635	
Israel	Pound		.5425	1.84	

*Latest available quotation date.

Country	Unit	Type of Exchange	Can. dollar equivalent February 17	Units per Canadian dollar	Notes (see below)
Italy	Lira	....	.001563	637.76	
Japan	Yen	....	.002713	368.60	
Lebanon	Pound	Free	.3093	3.23	
Mexico	Peso	....	.07813	12.80	
Netherlands	Florin	....	.2577	3.88	
Netherlands Antilles	Florin	....	.5193	1.93	
New Zealand	Pound	....	2.7513	.3635	
Nicaragua	Cordoba	Effective buying	.1479	6.76	
		Official selling	.1385	7.22	
Norway	Krone	....	.1367	7.32	
Pakistan	Rupee	....	.2063	4.85	
Panama	Balboa	....	.9766	1.0240	
Paraguay	Guarani	Official	.008922	112.08	
Peru	Sol	Certificate	.04806	20.81	
Philippines	Peso	....	.4883	2.48	
Portugal & Colonies	Escudo	....	.03408	29.34	(10)
Singapore and Malaya	Straits dollar	....	.3210	3.12	
Spain and Dependencies ...	Peseta	Controlled free	.02325	43.01	(6)
Sweden	Krona	....	.1888	5.30	
Switzerland	Franc	....	.2279	4.39	
Syria	Pound	Free	.2725	3.67	
Thailand	Baht	Free	.04715	21.21	(6)
Turkey	Lira	....	.3488	2.87	
Union of South Africa	Pound	....	2.7513	.3635	
United Kingdom ..	Pound	....	2.75125	.363471	
United States	Dollar	....	.9765625	1.0240	
Uruguay	Peso	Free	.1990	5.03	
		Basic buying	.6411	1.56	
		Principal selling	.4651	2.15	(6) (11)
Venezuela	Bolivar	....	.2915	3.43	
Yugoslavia	Dinar	....	.003255	298.06	(6)

*Latest available quotation date.

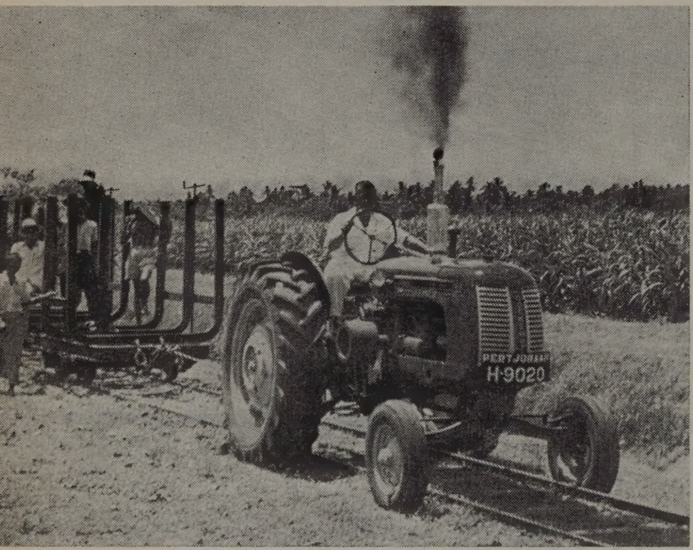
notes

1. Argentina: additional rates result from exchange retentions on export proceeds and surcharges on imports.
2. Barbados, Trinidad, Tobago, Leeward and Windward Islands, British Guiana.
3. Bahamas, Bermuda, Jamaica.
4. Brazil: Exporters receive cruzeiros at official rate plus exchange premiums ranging from 18.70 to 48.64 cruzeiros per U.S. dollar, depending on product.
5. Chile: free rate applies to exports and to imports, except prohibited imports. Chilean importers must deposit local currency in amounts ranging from 5 to 200 per cent, depending on product, prior to shipment of goods.
6. Additional rates are in effect.
7. France: Territory includes Algeria, Tunisia, Morocco, Guiana, Guadeloupe, Martinique.
8. Equatorial Africa, West Africa, Cameroons, Togoland, Somaliland, Madagascar, Reunion, St. Pierre and Miquelon.
9. New Caledonia, New Hebrides, Oceania.
10. Portugal: approximately same rate for Portuguese Territories in Africa.
11. Certain essential imports are subject to a fixed rate of 2.10 pesos per U.S. dollar, and no longer require import permits. Other imports are subject to the free rate, and are under quota. Exports are subject to a variety of rates according to the product. Exports are divided into eleven categories for exchange rate purposes. Depending on the product, the export rates which apply range from 100 per cent of the free rate to 100 per cent of the basic export rate of 1.519 pesos per U.S. dollar.

Canada in Far Eastern Markets

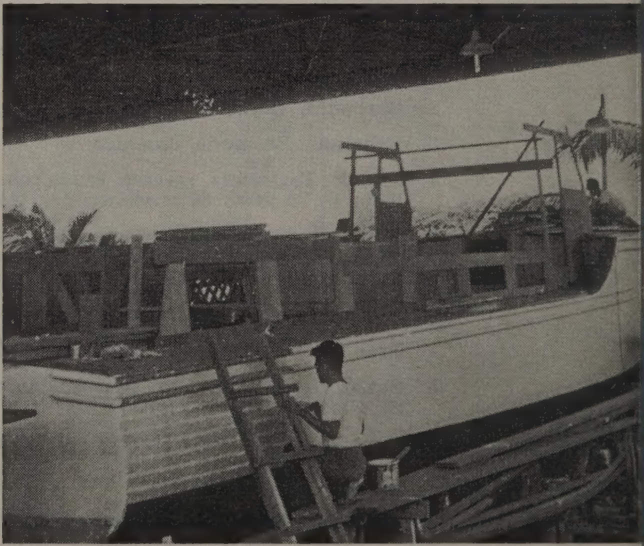
Canadian exporters are invited to contribute to this series photographs of their products in use or on sale in foreign markets. Photographs should be adequately captioned, protected for mailing, and addressed to: The Editor, "Foreign Trade".

In Indonesia—Workers hitch a ride back to the cane fields on a train of empty sugar trucks drawn by a tractor made in Canada. Photo was taken on a large Indonesian sugar estate.



In Malaya—The fresh, clean appearance of this government building in Kuala Lumpur was achieved with Canadian cement paint which resists inroads of tropical fungus and railway soot.

In the Philippines—The Assistant Canadian Trade Commissioner (left) watches while the manager of a Canadian flour company examines pan de sal just made in a Manila bakery.



In Singapore—Canadian Douglas fir was used for the inside lengthwise frame members of this patrol boat nearing completion in Singapore; it was built for the Government of Sarawak.

Edmond Cloutier
QUEEN'S PRINTER

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Tips for Exporters . . .

- Answer every query from abroad promptly . . . it could lead to a big order.

- Whenever possible, reply in the language in which the correspondent writes . . . it may mean the difference between "sale" and "no sale".

- Write regularly to foreign customers . . . it pays to keep in touch.

- When you write use Airmail . . . it's faster, more efficient.